



## **U.S. Department of State FY 2000 Country Commercial Guides: Germany**

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### **I. EXECUTIVE SUMMARY**

**This Country Commercial Guide (CCG) presents a comprehensive look at Germany's commercial environment, using economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. embassies through the combined efforts of several U.S. government agencies.**

The political and economic situation in Germany has changed significantly, with the new SPD/Greens coalition government replacing the 16-year-old Kohl government in the September 1998 national elections, and the implementation of the European Monetary Union on January 1, 1999. Despite the modest structural reforms implemented by the former Kohl government, many German experts recognize the need for more reforms in the areas of business taxation, mandatory pension and health system. Labor market rigidity and persistent high levels of unemployment, rising government debt as a result of international competition, a graying population, and continued transfers to eastern Germany are among the problems the new government has to address.

However, the SPD won the elections largely with an anti-business economic program that clearly carried the handwriting of former Finance Minister Oskar Lafontaine who in defending a keynesian demand-oriented policy course was much closer to the left wing of the SPD than the business-oriented Chancellor Schröder. With the abrupt departure of Lafontaine and the arrival of the new Finance Minister Hans Eichel, the German government was moving towards a more pragmatic view of the needs for business-friendly policies. Although the government has not taken bold action on structural reforms yet, the proposed Federal budget 2000 and the other parts of the "Future Program 2000" indicate a good start in making German industry more competitive through the reduction of business taxes and labor costs.

Real GDP growth in 1997 and 1998 was 1.8 and 2.3% respectively. The German economy is forecast to slow to 1.5% in 1999, picking-up to around 2.5% in 2000. The economic slowing in 1999 will be largely the result of the slowdown in German exports that began in mid-1998 in response to the financial crisis in Russia, Asia and South America. A recovery of German export markets, improvement in private consumption and a robust investment in equipment will be the main factors behind the projected rebound in the second half of 1999 and through 2000. The German labor market situation, however, will remain difficult, especially in eastern Germany. Job creation in all of Germany has almost come to a halt and although overall unemployment is expected to drop by around 200,000 on average in 1999 primarily due to demographic reasons and the implementation of a special youth employment program in January 1999. For the year as a whole, the unemployment rate is projected to drop to below 11%, down from 11.1% in 1998 and a record high 11.4% in 1997.

For American companies, the German market, Europe's largest, continues to be attractive in numerous sectors, and remains an important element of any comprehensive export strategy in Europe. While U.S. investors must closely study the bottom line before buying into Germany or expanding their position, they can count on high levels of productivity, a highly skilled labor force, quality engineering, a first-class infrastructure, and a location in the heart of Europe.

Successful market entrants are those that have innovative products featuring high quality and modern styling. Particularly in the consumer goods sectors, Germans appreciate innovation and high technology. New solutions in the multi-media area, and technologies and services which will help more Germans join the Internet generation, offer great potential. U.S. products are especially well regarded when they offer cutting edge technology: computers and computer software, electronic components, health care and medical devices, synthetics and automotive technology. Price will not always be the determining factor for the German buyer, even for inputs in the intermediate stages of production, where the manufacturer cares deeply about his own product and service reputation.

Approaching the German market, exporters must recognize the country for what it is: a decentralized collection of states and regions as diverse as those in the United States. Bavarian and Rhineland tastes, for example, differ distinctively. An American company seeking sales in Germany must ensure that its marketing strategy takes these differences into account and should choose a distributor with country-wide capability, often necessitating several regional locations. Too often, U.S. exporters seek to service their clients from a single European location, or even directly from the United States. After initial entry into the German or European market, this is likely to be inadequate, especially recognizing that the chief competition faced by most American companies are the German domestic firms themselves, with their natural advantage of proximity. Success in the marketplace can be achieved by countering this comparative disadvantage with high quality products and service, at the right price.

Establishing a physical presence in Germany may be the right solution for some firms. German efforts to privatize the energy, telecommunications and

transportation sectors are being assessed by numerous American firms because of the attractive opportunities they imply. For investors, the still high marginal tax rates despite modest cuts and complicated tax laws may constitute an obstacle, although deductions, allowances and write-offs help to move effective tax rates to a more internationally competitive level.

Germany presents few formal barriers to U.S. trade or investment interests (with the exception of the EU Common Agricultural Policy). Germany's regulations and bureaucratic procedures, however, can prove a baffling maze, blunting the enthusiasm of U.S. exporters. While not discriminatory in the classic sense, government regulation is often complex and may offer a degree of protection to already-established local suppliers. Safety or environmental standards, not inherently discriminatory but sometimes zealously applied, can complicate access to the market for U.S. products. American companies interested in exporting to Germany should do their homework thoroughly and make sure they know precisely which standards apply to their product, and that they obtain timely testing and certification. This is doubly important because, to the extent EU-wide standards are developed, there is a high probability that the existing German standard will form the basis for the eventual European standard.

**Further information on Germany and other European markets can be found on the "Showcase Europe" homepage: <http://www.sce.doc.gov>; this is a comprehensive source for a wide range of market research and business counseling information assembled by the U.S. & Foreign Commercial Service which is designed for U.S. exporters exploring the European marketplace.**

**Country Commercial Guides are available for U.S. exporters from the National Trade Data Bank's CD-Rom or via the Internet. Please contact Stat-USA at 1-800-Stat-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at <http://www.mac.doc.gov>. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRADE or by fax at (202) 482-4473.**

## **II. ECONOMIC TRENDS AND OUTLOOK**

### Introduction and Summary

The German economy is the world's third largest, and accounts for about one-third of Euroland's GDP. It is the United States' largest European trading partner and our fifth largest global partner. Germany's strong post-war economic growth has afforded its citizenry one of the highest standards of living in the world, with what some view as the industrialized world's most comprehensive and generous social safety net.

The Germany "social market" economy is based largely on free market principles, but with labor, wage and regulatory issues being largely decided by a broad consensus of government, business, and labor. A record high government outstanding debt, an increasing share of government revenues going for debt service payments, as well as an eroding tax base, a continued high level of net transfer payments to eastern Germany and persistent high unemployment have urged a turnaround in the government economic, fiscal and social policy course towards budget consolidation and structural reforms. In addition, high unit labor costs, growing social security and non-wage labor costs, combined with a record high net direct investment outflow have also contributed to government action to make Germany more attractive for investment and job creation.

On June 23, 1999, the German cabinet approved the government reform program, called "Future Program 2000", a combination of budget consolidation, growth incentives and structural reforms to stimulate economic growth, job creation and to get control of exploding government debt. Key elements of this

program are: a DM 30 billion cut in the Federal budget 2000 (compared to estimates of mid-1998), and an outline of the planned business and family tax reforms, a mid-term energy taxation plan and the highly controversial reform of the German mandatory old age pension system. The program goes beyond the reforms pushed by the former conservative Kohl government during the 16-year term of the CDU/CSU/FDP coalition. Changes to the whole package during the lengthy legislative procedure are likely, but nevertheless it represents the first step of a long and difficult process of structural reform and success will require consistent long-term efforts.

Moreover, the Schröder government is also pursuing a new "Alliance for Jobs" initiative to tackle Germany's serious unemployment problem. In early July the top-level roundtable of government, labor and management agreed on a 11-point program, including the crucial issues of: discussing wage policy issues in the "alliance for jobs" talks, making the special early retirement schemes more attractive for small and medium-sized firms, providing more trainee positions for young people and curbing overtime work and more work time flexibility. The next round of "Alliance for Jobs" talks are scheduled for the fall of this year.

With the birth of the euro on January 1, 1999 the European Central Bank (ECB) is responsible for monetary policy in the Euroland. It took its first action on interest rates on April 8 with a 50 basis point cut in the short-term rate to 2.5%. The ECB action followed the late 1998 monetary easing of European National Banks and reflected a virtually non-inflationary climate and a dampened European economic outlook particularly vis-à-vis the robust U.S. economic growth. The euro started at a rate of around 1.17 against the dollar, but has weakened since then to around 1.02. Most German politicians and market analysts seem to be not concerned about this low euro-dollar relation arguing that it is more the result of market speculation to test the 1:1 relation than reflecting the underlying fundamentals such as growth disparities and U.S. interest rate differentials. Moreover, a weak euro should make German products more competitive internationally and thus help to boost German exports.

#### Slowing Economic Growth in 1999, Improvement in 2000

Real GDP growth in 1997 and 1998 was 1.8 and 2.3% respectively. Eastern Germany was growing at slightly lower rates in both years, renewing fundamental concern about a rapid convergence of the economies in western and eastern Germany. The slowdown in German exports that began in mid-1998 in response to the financial crisis in Russia, Asia and South America, is dampening German economic growth. The consensus forecast projects a slowing of the German economy to 1.5% in 1999, picking-up to around 2.5% in 2000. A recovery of German export markets, improvement in private consumption and a robust investment in equipment will be the main factors behind the projected rebound in the second half of 1999 and through 2000. Private consumption -- the largest component of German GDP with a share of 56% -- will expand at rates above average growth in both years, boosted by slightly lower unemployment, higher wage settlements and lower individual tax and social contribution payments despite planned cuts in social spending and higher energy costs. The Government austerity package "Future Program 2000" will limit the public sector's contribution to growth this year and next year.

Business investment in equipment will be backed by growing (domestic and foreign) demand, and a continued strong pressure from globalization for modernization and rationalization efforts. Following four years of contraction, construction investment is expected to remain rather flat in 1999 and to recover modestly in 2000. An oversupply in housing and office space, tight (investment) budgets at all levels of government and cuts in construction-related tax preferences continue to weigh on the construction sector. The eastern economy is especially suffering from these problems as the construction sector accounts for roughly one-third of East German GDP compared to just 10% in the West. However, business investment will remain largely dependent upon business confidence in more business-friendly reform

policies that tackle Germany's high tax rates, high labor and energy costs as well as labor market rigidities. The planned net business tax relief in 2001 (postponed from an earlier planned implementation in 2000) will be moderate, but planned changes in depreciation regulations may well bring some investment forward and the psychological impact of lower nominal tax rates on business profits should attract more foreign direct investment to Germany. Both export and import growth will slow substantially in 1999 to around 1%-3% from a range of 6% to 8% in 1998. However, German foreign trade should pick-up in the second half of 1999 mainly in response to a weaker than projected euro, improved economic prospects in Germany's export markets and improved competitiveness as a result of job shedding via corporate restructuring.

Plans for further job cuts and the recent government move to make the so-called "DM 630 (part-time) jobs" less attractive by raising social contributions and taxes paid on them are indications that the labor market situation will remain difficult, especially in eastern Germany. Job creation in all of Germany has almost come to a halt and overall unemployment is expected to drop by around 200,000 on average in 1999 primarily for both demographic reasons and the implementation of a special youth employment program in January 1999. In addition, June unemployment figures showed the 6<sup>th</sup> consecutive decline in (seasonally-adjusted) unemployment in the West but the 4<sup>th</sup> consecutive rise in the East, putting the (seasonally-adjusted) unemployment rate at 8.8% in the West and 17.5% in the East. For the year as a whole, the unemployment rate is projected to drop to below 11%, down from 11.1% in 1998 and a record high 11.4% in 1997. The 1999 wage round ended up in nominal wage hikes of around 3%, well above estimated inflation of less than 1%. However, despite higher wage settlements and both rising energy prices and taxes German inflation remains subdued so far and is forecast to remain moderate for the near future.

#### Persistent Structural Problems

Despite some modest reforms implemented by the former Kohl government, Germany had to deal with important structural problems when the SPD/Greens coalition led by the SPD Chancellor Schröder came to power in late 1998. Reforms were needed especially in the areas of business taxation, mandatory pension and health system, labor market flexibility and rising government debt in view of increasing international competition, a graying population, continued high transfers to eastern Germany and persistent high levels of unemployment. Structural unemployment is estimated at 80% of total unemployment. Total government debt (Federal, states and communities) accounts for more than DM 1,500 billion or 61% of GDP and Federal debt service obligations reach 25% of Federal revenues. Once in power, the new government fulfilled election promises and implemented significant tax cuts for low income taxpayers, very modest tax relief for businesses, higher energy taxes in return for lower labor costs. It also reversed major parts of the previous Kohl government's modest social reform steps such as the long-term reductions in pension payments, the reduction in sick payments and the increase in co-payments for drugs in the health insurance system retroactive January 1, 1999.

With the abrupt departure of Lafontaine and the arrival of new Finance Minister Hans Eichel, the German government has moved towards a more pragmatic view of the need for business-friendly policies. Although the government has not taken bold action on structural reforms yet, the proposed Federal budget 2000 and the other parts of the "Future Program 2000" indicate a good start in making German industry more competitive through the reduction of business taxes and labor costs.

Some changes are also coming from labor and management. The nation-wide collective bargaining system produces wage and work time inflexibility and fails to consider disparities by regions and companies. Somewhat more labor flexibility, however, has been reached at the company level, especially in eastern Germany. The rising number of companies that leave industry organizations and negotiate contract and wages at the company level is

indicative of the growing discontent with the existing inflexible collective bargaining system. In 1998, only 48% of West German businesses were covered by a collective bargaining contract (1995: 54%) and roughly 25% in the East. However, these western firms account for about 68% of total employees (1995: 72%) and for about 50% in the East.

#### Economic Objectives and Policies

The government's declared primary objective is to stimulate economic growth and employment and to get a grip on rising government debt. To this end, the government has proposed its "Future Program 2000" package, a combination of budget consolidation, growth incentives and structural reforms. Key elements of this program are: basic expenditure and revenue figures for the Federal budget for Fiscal Year 2000 through 2003 (Fiscal year equals to calendar year) and an outline of the planned business and family tax reforms, a mid-term energy taxation plan and the highly controversial reform of the German mandatory old age pension system. In the Federal budget 2000, the government managed to cut Federal expenditures by DM 30 billion (compared to estimates of mid-May 1998). The DM 30 billion cuts in 2000 represent the largest austerity package in German history, although some DM 5 billion out of the total have not yet been specified. Federal spending in 2000 (DM 478.2 billion) will be 1.5% lower than the 1999 target (DM 485.7 billion) and the deficit will be reduced to DM 49.5 billion or 1.2% of GDP (1998: 1.4%). With investment expenditures budgeted at DM 57.6 billion, the deficit in 2000 also meets the constitutional deficit limit. In the years 2001-2003, the deficit is planned to decline further to around DM 50 billion by 2003, helped by an annual average expenditure rise of below 2%.

In 2000, the highest cuts are coming from the labor ministry's budget (DM 12.5 billion), followed by transportation and defense outlays (DM 3.6 billion and DM 3.5 billion). The labor ministry budget cuts largely center on lower pension payments, lower contributions to the social security system for unemployed and lower annual increases in unemployment benefits. Direct subsidy cuts are also programmed mainly in the area of agriculture, shipbuilding, coal mining and social housing, as well as cuts in tax preferences. Moreover, government pensions will increase only in line with inflation and another 6% drop in Federal employment during the next 4 years will also help to trim expenditure growth and meet the constitutional deficit limit as well as the Maastricht criteria over the period 2000-2003.

On top of minor business tax changes effective January 1, 1999, a more comprehensive business tax reform is planned for implementation in January 2001 and will reduce the net tax burden of businesses by some DM 6-8 billion per year. The tax rate for business profits will be reduced to 25 percent. At present, corporation profits are taxed at a flat 40% rate, while profits from individual entrepreneurs and partnerships are taxed at a maximum rate of 45%. The local tax on business profits will be maintained and add an estimated 10-13 percentage points on top of the 25% rate, thus bringing the total tax rate on business profits up to 35-38%.

On top of income tax changes effective January 1, 1999 and in order to fulfill the January 1999 Supreme Court ruling, the taxation of families will be reformed. In a first step the special per child tax deduction in personal income taxation as well as the direct monthly child payments will be raised effective January 1, 2000. Both measures will reduce the tax burden of families by an estimated DM 6.5 billion annually. A 2<sup>nd</sup> step is planned to come by 2002. The government will decide upon the shaping of step 2 in 2001.

On top of a rise in energy taxes effective April 1, 1999, the petroleum product tax will be increased in each of the 4 years 2000-2003 by 6 Pfennig and the electricity tax will also be raised by 0.5 Pfennig per kilowatt hour each year. The extra revenues will be largely used to finance a further reduction in the contribution rate to the mandatory pension fund from currently 19.5% of gross salaries (equally paid by employer and employee) to 18.5% in 2003. This re-allocation of funds reduces employer's labor costs and is expected to stimulate job creation. A smaller part of the extra tax

revenues will go for paying special pension payments (like the new "means-tested" basic old age assistance).

A major and highly controversial element of the pension reform is to limit the annual adjustment of pension payments to inflation in the years 2000 and 2001 (i.e. to around 0.7% and 1.5%) until a new adjustment rule based on wage developments will be established in 2002. The current rule is based on net wage developments of the previous year, i.e. pension payments would otherwise have been increased by some 3-4% in 2000. This measure reduces the standard pension level (defined as 45 years of work with an average salary) to about 66% of former net salary (from currently 70%). Other elements of the reform would be some kind of a "means-tested" basic old age assistance, a change in pension payments for widows and widowers as well as a change in disability payments.

In addition, investment outlays for R&D, education and science will be raised by DM 1 billion in each of the coming years. The volume of transfers to eastern Germany will be continued on a high level although the special Federal programs and the quasi-government programs (KFW, ERP etc.) for eastern Germany will be reviewed for better coordination. The volume of active labor market support programs will be maintained at the 1999 level and the special program to reduce youth unemployment will be extended through 2000. But the annual increase in unemployment benefits will be restricted to inflation (rather than to average wage developments under the current system) and government contributions to the social security system for unemployed will also be reduced. Changes to the package during the lengthy legislative procedure are likely, but nevertheless it represents the first step of a long and difficult process of structural reform and success will require consistent long-term efforts.

### **III. POLITICAL ENVIRONMENT**

#### **Overview**

The top priorities of the German government are to maintain economic growth and to continue fostering the development of eastern Germany. The new states are now an integral part of Germany, contain millions of voters, and are being brought up to the economic standards of western Germany as quickly as possible. Accordingly, a high priority continues to be placed on financing eastern development, implying the likelihood of a flow of major project opportunities for years to come.

In addition, Germany's political leadership also wants to promote Germany's competitiveness and various proposals are being considered to modernize the country's economic situation. Since unification on October 3, 1990, Germany has placed a high priority on improving its relations with its direct neighboring states as well as strengthening trans-Atlantic relations. Recognizing that political stability is nurtured by economic prosperity, Germany has been one of the major sources of assistance to Central European and CIS states.

The country continues to emphasize close ties with the United States, membership in NATO, progress toward further European integration, and improved relations with Central Europe. German-American political, economic, and security relationships regardless of which administration has been in power in either country have been based on close consultation and coordination at the most senior levels. High-level visits take place frequently, and the United States and the FRG cooperate actively in international forums. U.S. Government officials enjoy good access to policy- and decision-makers, and are able to raise issues directly affecting U.S. business active in Germany.

#### **Basic Government Structure**

Under the German Constitution, known as the Basic Law, the Federal Republic

of German (FRG) is a parliamentary democracy with a bicameral legislature, an independent judiciary and executive power exercised by a Prime Minister whose title is Chancellor.

The lower house of Parliament, The Bundestag, currently consists of 669 deputies elected for a 4-year term. Members are elected through a mixture of a direct vote for constituency candidates and a second vote for party lists.

The federal and state electoral laws stipulate that parties must receive at least 5 percent of the national vote (or at least three directly elected seats in federal elections) in order to be represented in the federal and state parliaments. The next national elections will take place in the fall of 2002. One must be 18-years old in Germany to vote.

The Federal President may be elected to two 5-year terms, and his or her duties as chief of state are largely ceremonial. Executive power is exercised by the Chancellor who is elected by and responsible to the Bundestag. The Chancellor cannot be removed from office during a 4-year term unless the Bundestag has agreed on a successor.

The upper house, the Bundesrat, comprising 69 members, is composed of delegations from the 16 state governments. Each state has between 3 and 6 votes, depending on the population of the state. The role of the Bundesrat is limited, but it can veto or engage in revision of legislation passed in the Bundestag when the proposed legislation would impose or affect the responsibilities of the states. Among these are matters relating to tax reform, law enforcement and the courts, culture and education, the environment, and social assistance.

The political parties represented in the Bundestag are:

- The Social Democratic Party (SPD), which abandoned the concept of a working class party in 1959 while continuing to stress social welfare programs. The SPD heads the federal government that took office in October 1998 under Chancellor Schroeder.
- The Christian Democratic Union and its Bavarian sister party, the Christian Social Union (CDU/CSU). The CDU/CSU is generally conservative on economic and social policy.
- The Alliance 90/The Greens (Buendnis 90/Die Gruenen), which has an environmentalist, pacifist platform, is the junior partner in the federal coalition government.
- The Free Democratic Party (FDP) identifies itself as a relatively market-oriented, civil libertarian party.
- The Party of Democratic Socialism (PDS), which is the successor party to the SED (the communist party of the former German Democratic Republic).

#### **IV. MARKETING U.S. PRODUCTS AND SERVICES**

U.S. companies intending to export to Germany must take into account German demography. To a far greater degree than its European neighbors, Germany's population and industry are decentralized and evenly distributed. Major cities and businesses dot the countryside in a landscape which features no single business center. A U.S. supplier seeking sales in Germany must be careful to ensure that its distributor, or its own dealerships, have a country-wide capability. Too often U.S. companies seem to seek to cover Europe from a single European base, or even through periodic visits from the United States. The German commercial customer expects to be able to pick up the telephone, talk to his or her dealer, and have replacement parts or service work immediately available. U.S. exporters should avoid appointing distributors with impossibly large geographic areas, without firm commitments regarding parts inventories or service capabilities, and without agreements



on dealer mark-ups.

Success in the German market, as elsewhere around the world, requires long-term commitment to market development and sales back-up, especially if U.S. companies are to overcome their natural geographic handicap with respect to their European competitors. One of the most commonly voiced complaints still heard from the German business community is about the American penchant for being here today and gone tomorrow. While this approach can produce occasional one-time deals, it is not the way of the competition, whether it be third-country or German, and is definitely not the way to establish a solid position and reputation in the German market.

Too often, U.S. suppliers are perceived by Germans as being unreliable: too quick to defer processing an export order in favor of a subsequent domestic order, too likely to bypass a successful distributor to deal directly with his customer, and interested in export sales only when domestic order books are unfilled or there is a fortuitous slip in the exchange rate. Many U.S. companies are not seen as long-term players in the market, and are not viewed as likely to provide adequate after-sales support. Distance from the market is no excuse to a customer with a problem.

No business visitor or company wishing to export to Germany can fail to note that trade fairs play a crucial role in marketing in this country, a role perhaps unique in the world. This is not too surprising when one considers that the trade fair movement was born in Germany in the Middle Ages and that, even today, a major portion of the truly world-class vertical fairs take place within Germany's borders, attracting buyers from around the world. During any given year, one or more major trade fairs will be staged in Germany for almost any product or service Americans have to sell. Trade fairs thrive in Germany because they are occasions on which business is actively done, rather than serving simply as public relations venues. U.S. exhibitors in German fairs should bring their order books and be prepared to sell. While U.S. exhibitors and even visitors can often conclude transactions, all attendees can use the great German fairs to conduct market research, see what their worldwide competition is doing, and test pricing strategies. The German fairs should not be thought of as strictly venues for doing business in Germany. The major shows attract buyers from throughout the world, allowing U.S. exhibitors do business here with buyers from Europe, Asia, Africa, Latin America and even with other U.S. companies.

There is a general consensus that Germany's extensive trade fairs are the most effective vehicle for introducing new products or technologies. Annual polls show that decision-makers in Germany value trade fairs as by far the most important medium on which they base their purchasing decisions. The large number of foreign visitors to German shows often leads to sales to non-German customers. Both CeBIT 99, the world's largest computer and telecommunications show, and the 1999 Hannover Trade Fair, the world's largest industrial trade fair of any kind, saw record numbers of visitors and exhibitors. This confirms the conviction that there is no other venue where an American company can get so much product exposure for its marketing dollar. Trade fairs provide a U.S. company interested in entering Germany also with the opportunity to research its market and the potential of its product properly before making a business decision, which is advisable in any case. Not all products can be easily sold and, even in a high-priced country such as Germany, it is important to attach the right price tag to a product.

The promotion of U.S. participation at German trade fairs is also an essential part of "Showcase Europe," a field-driven initiative which is designed to pay tribute to the ongoing integration of a single Europe. "Showcase Europe" concentrates on the following sectors of strategic interest: Aerospace; Energy; Medical Equipment, including Drugs and Pharmaceuticals; Telecommunications and Information Technologies; Environmental Technologies and Equipment, Franchising, and Travel and Tourism. In these fields, the Commercial Service offices located in European countries attempt to concentrate various marketing and advocacy actions. At

selected fairs, for example, U.S. Embassy staff will attempt to bring U.S. companies together not only with potential German business partners, but also with visitors from other European countries. "Showcase" also focuses on advocacy on behalf of U.S. business interests and concentrates on further opening the markets in the above listed sectors to U.S. companies, and include official U.S. government advocacy on behalf of American firms bidding on German procurement projects.

Besides exhibiting at a German trade fair, in most cases advertising is considered a suitable promotion method. Regulation of advertising in Germany is a mix between judicial rules and voluntary guidelines developed by the major industry associations. Legal rules were established at the beginning of the 20th century by the "Law Against Unfair Competition." This law continues to be valid today, although it has been modified over time. In essence, this law allows competitors to bring suit if advertising "violates good manners."

Many advertising practices that are common in the United States, such as offering premiums, would not be allowed in Germany. Any planned advertising campaigns should be thoroughly discussed with a potential business partner or an advertising agency in Germany. Following is the address of the German association of advertising agencies:

Gesamtverband Werbeagenturen e.V.  
(German Association of Advertising Agencies)  
Friedensstr. 11  
60311 Frankfurt a.M.  
Telephone: [49][69] 2560080  
Telefax: [49][69] 236883

There are numerous technical or specialized periodicals that deal with all aspects of technology and doing business in Germany. In addition, Germany has a well-developed array of newspapers and magazines, which offer the opportunity to gather information and advertise products and services.

For nearly all facets of doing business, there appears to be an industry or trade association that is active in a particular field and which can often serve as a suitable point of contact when trying to establish a partnership.

Selling to German government entities is not always an easy process. However, although a delay in implementing all facets of the EU Utility Directive occurred, it is safe to say that, in general, German government procurement is non-discriminatory and generally appears to comply with the GATT Agreement on Government Procurement (the Procurement Code) and the European Community's procurement directives. That said, it is undeniably difficult to compete head-to-head with major German or other EU suppliers with long-term ties to German government purchasing entities.

### **Marketing to the new Federal States**

While market conditions in the new and old federal states of the reunited Germany continue to converge impressively, U.S. exporters and potential investors should, nonetheless, be aware that the new federal states of eastern Germany still present, in certain respects, distinctive commercial opportunities and challenges.

For instance, while promotion and investment assistance provided by the German Federal Government usually covers the entire territory of Germany, some programs and terms are more favorable in the new federal states as part of the government-led effort to transform these states of the former East Germany to a market economy. Additionally, at both the federal and state-level there are investment grants, special depreciation and credit programs, and regional promotions, which apply specifically to the new federal states.

One new regional promotion initiative of particular interest to U.S. firms

interested in market opportunities in the new federal states is the IIC or Industrial Investment Council of the New German Laender (States). Through extensive market research, the IIC is in the process of identifying (and will subsequently disseminate information on) the distinctive commercial conditions which set eastern Germany apart as a favorable commercial destination -- especially for major U.S. investors in certain key sectors but also, indirectly, for U.S. exporters of all sizes and sectors. Among some of the distinctive conditions which the IIC's market research is highlighting for the new federal states are: the degree of wage and labor flexibility across the board; the degree of local flexibility in accommodating major infrastructure projects; technical, workforce, and niche R&D capabilities; transportation logistics and distribution advantages; etc.

To help U.S. firms capitalize on these and other distinctive opportunities in the new federal states, the commercial team in the U.S. Mission Bonn-Berlin offer the following programs:

-- The Economics Section organizes an annual conference in the autumn to highlight the positive investment experience of U.S. firms in the new federal states and to promote U.S. investment even further beyond the current 300 U.S. firms who have already invested a total of \$8 billion accounting for some 55,000 jobs.

-- The Commercial Service runs, together with its partner, the German Federal Economics Ministry, a joint trade mission program to tap market opportunities in the new federal states. This Commercial Service/Federal Economics Ministry joint program is designed to introduce U.S. small- and medium-sized exporters to distinctive market opportunities in the new federal states in specified best-prospect sectors.

Additionally, the Commercial Service Berlin and Leipzig, in cooperation with the Economic Section, offers an array of market information analysis and reporting, trade show support, round tables and other program initiatives designed to assist U.S. firms capitalize on these specific market opportunities. Companies interested in business opportunities in eastern Germany should contact the Commercial Service office in Berlin (see appendix E) for further details.

### **Marketing U.S. Agricultural Products**

The Foreign Agricultural Service (FAS), USDA, maintains a U.S. Agricultural Trade Office (ATO) in Hamburg, Germany:

U.S. Agricultural Trade Office  
Alsterufer 28  
20354 Hamburg, Germany  
Tel: [49][40] 4146-070  
Fax: [49][40] 4146-0720  
E-Mail: [atohamburg@fas.usda.gov](mailto:atohamburg@fas.usda.gov)  
<http://www.usembassy.de/atohamburg>

The primary objective of the ATO is to facilitate trade in U.S. agricultural products. To meet this goal, the ATO provides the following support and services:

**Trade Leads:** Designed for German buyers searching for specific U.S. products. More than 36,000 U.S. firms receive trade leads through this system each week.

**U.S. Supplier Listings:** Lists of U.S. suppliers for use by potential German buyers.

**Buyer Alert:** Lists of specific products being offered by U.S. exporters.

German Importers: Lists of German importers, by product sector, for use by U.S. exporters.

Market Briefs: Background and basic information on exporting agricultural products to Germany.

USA Promotions: Decoration and other promotional materials for use in special USA promotions.

Trade Shows: Information on key trade shows being held in Germany. Also, coordinate special USA pavilions at certain food shows in Germany, and organize and recruit German buyers for U.S. food and agricultural trade shows.

American Food Directory: Extensive listings of U.S. food and beverage products imported and available for sale in Germany.

The ATO also works closely with numerous U.S. agricultural trade associations and U.S. firms conducting programs designed to boost foreign demand for U.S. agricultural products.

The Foreign Agricultural Service also maintains an Office of Agricultural Affairs, which is located at the U.S. Embassy in Berlin, Germany. This office oversees USDA activities in Germany and can provide information on German food law as well as German import requirements. FAS Berlin may be contacted as follows:

Office of Agricultural Affairs  
American Embassy/Berlin  
Clay Allee 170  
14195 Berlin, Germany  
Tel: [49][30] 238-5174 (Embassy Switchboard)  
Fax: [49][30] 238-6290 (Embassy Number)  
<http://www.usembassy.de/embassy.fas>

## **V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT**

(All figures are \$ millions; e = estimated)

- 1: Telecommunications Services - TES
- 2: Franchising - FRA
- 3: Computer Software - CSF
- 3: Computer Software - CSF
- 4: Drugs & Pharmaceuticals - DRG
- 5: Management Consulting - MGM
- 6: Computer & Peripheral Equipment - CPT
- 7: Electronic Components - ELC
- 8: Computer Services - CSV
- 9: Process Control Instrumentation - PCI
- 10: Scientific & Laboratory Instruments - LAB
- 11: Medical Equipment and Supplies - MED
- 12: Automotive Parts and Services - APS
- 13: Pollution Control Equipment - POL
- 14: Travel & Tourism - TRA
- 15: Telecommunications Equipment - TEL

### **1: Telecommunications Services - TES**

The telecommunications services sector is one of the most promising business areas. This trend is supported by the liberalization of the telecommunications market, especially since the end of the voice telephony monopoly on January 1, 1998, and the expected growth in online and Internet applications and services. While the end of the fixed-line monopoly spurred competition in this segment, highest growth rates are expected for the mobile segment. Although traditional telecommunication services, such as call centers, may need German-speaking staff, there appears to be excellent potential for U.S. companies in nearly all areas - especially since the

United States appears to be the only relevant supplier of many of these services. The quickly expanding use of the Internet as a virtual marketplace will trigger demand for Internet-related telecommunication services. It has to be noted, however, that the bulk of the revenues generated in the services area is still earned by Germany's telecommunication giant Deutsche Telekom AG.

	1997	1998	1999 (e)
Total sales	34,400	36,700	38,500
Sales by local firms	33,400	35,200	36,500
Sales by local firms abroad	n/a	n/a	n/a
Sales by foreign-owned firms	1,000	1,500	2,000
Sales by U.S.-owned firms	700	1,000	1,500

## 2: Franchising - FRA

Approximately 5,000 new franchise outlets came into existence during 1998 and, by the end of 1999, an additional 6,000 franchisees are expected to be in operation. At the end of 1998, there were 625 franchise systems (1997: 598) represented by almost 33,000 franchisees. Compared to 1997, 4.5% more franchisors and 17.9 % more outlets reflect a healthy industry growth. A relatively high concentration of franchising chains in Germany can be found in the fast food sector (dominated by U.S. concepts), followed by home maintenance, clothing, automotive, recreation, education, cleaning, travel and hotels. At the end of 1998, 36 American franchisors (approximately 1,900 franchisees) held 11.8% of the German franchise market. In 1999, growth should be in the 5-10 percent range for both, the total franchise industry and the U.S. franchises. Franchise systems are at least equally as difficult to introduce in Germany as in the neighboring, non-English speaking EU countries. U.S. franchisors must be prepared to adapt to required market norms and standards, invest in market research, test market receptivity through pilot projects and adjust their concepts to German business practices and consumer tastes.

	1997	1998	1999 (e)
Total sales	16,967	18,687	19,500
Sales by local firms	14,347	15,495	16,300
Sales by local firms abroad	247	266	300
Sales by foreign-owned firms	2,620	3,192	3,200
Sales by U.S.-owned firms	1,453	2,203	2,700

## 3: Computer Software - CSF

The software market is booming in Germany and the near-term outlook remains very positive, with anticipated growth rates in the eight percent range over the next few years. Innovative products will encourage the home and business user to upgrade or substitute existing software. The Internet is expected to penetrate the software environment further and act as a catalyst for sales of Internet-related software products. The ten top ten software suppliers hold roughly 30 percent of the total market, mainly with sales of standard software packages; more than 60 percent of sales are achieved by medium-sized and small software vendors. Most of this industry's new products are developed in the United States. Analysts estimate that 80 percent of software products sold in Germany is imported, mainly from the United States. There are no trade barriers to the marketing and sale of U.S.-origin software and innovative U.S. software products, in particular industry-specific and niche software will continue to find excellent sales opportunities in Germany.

	1997	1998	1999 (e)
Total market size	11,800	12,800	13,800
Total local production	3,900	4,200	4,400
Exports	1,400	1,500	1,600
Total imports	9,300	10,100	11,000
Imports from the U.S.	6,500	6,900	7,400

## 4: Drugs & Pharmaceuticals - DRG

In 1998, the United States were Germany's second largest supplier of

pharmaceutical products, increasing exports to Germany by 43 percent over 1997 levels. German Government cost-containment legislation is still the driving force for sales of self-medication drugs and generic medicines. Best sales prospects continue to exist for pharmaceuticals affecting the central nervous system, cardio-vascular medication, analgesics, blood-building preparations, diagnostics, and infection/tumor blockers. In the OTC non-prescription segment, sports and health supplements, vitamins, analgesics, laxatives and influenza preparations/inhibitors continue in high demand. Access to the German pharmaceutical market is subject to strict national and European Union legislation. While prescription drugs still have to undergo lengthy approval procedures, market entry for biotechnically derived or technologically advanced drugs has been eased. The application procedure is now centralized through the European Drug Agency (EMEA) in London.

	1997	1998	1999(e)
Total market size	14,900	15,500	16,700
Total local production	18,500	20,100	20,500
Exports	11,500	14,900	15,200
Total imports	7,900	9,100	10,800
Imports from the U.S.	1,000	1,430	1,700

#### 5: Management Consulting - MGM

Management consulting continues to be one of the thriving service sectors in Germany. The market is growing by more than ten percent per year. At present, approximately 13,000 consulting companies operate in Germany, the majority of which is very small (less than 15 employees). On the other hand, the top 25 consulting firms account for twenty-five percent of the total turnover. Their per capita turnover is estimated at \$250,000 per employee per year. Actual implementation of recommendations particularly in the information technology area becomes a more important professional factor. Further globalization through strategic alliances and JVs, and founding of subsidiaries and affiliates are other major trends in this sector.

	1997	1998	1999(e)
Total sales	9,370	10,444	11,800
Sales by local firms	4,685	5,222	5,900
Sales by local firms abroad	n/a	n/a	n/a
Sales by foreign-owned firms	4,685	5,222	5,900
Sales by U.S.-owned firms	4,000	4,300	4,600

#### 6: Computer & Peripheral Equipment - CPT

Although competition from East Asia and Europe continues to increase, U.S. computer products are still viewed as innovative products of superior quality and leading edge technology. In 1998, sales of main-frame and mini-computers continued their downward trend, reflecting the continuing move away from these machines into PCS. Germany is, and will remain for the foreseeable future, a major opportunity for sales for American computer products. The United States is expected to retain its 1999 import share of approximately 26 percent at least until 2000. Exports exceed production due to considerable amounts of imported equipment being directly resold abroad or included as value-added equipment in locally manufactured products which are exported.

	1997	1998	1999(e)
Total market	19,900	21,400	22,900
Total local production	8,700	8,900	9,200
Exports	10,100	10,700	11,500
Total imports	21,300	23,200	25,200
Imports from the U.S.	5,500	6,200	6,400

#### 7: Electronic Components - ELC

The German market growth of 10.3 percent for electronic components in 1998 significantly exceeded projections; the market reached a volume of DM 25.8 billion (\$14.3 billion), while at the same time, the world market experienced a decrease. Semiconductors showed the highest growth rates with 15.8

percent. For 1999 an increase of 13 percent for this segment is projected. Electro-mechanical components increased by six percent, passive components by 2.5 percent and printed circuit boards by 2.8 percent. Future market expansion in Germany will be spurred by the data processing industry (+14 percent), automotive electronics (+11.9 percent), industrial electronics (+6.3 percent), and telecommunications (+5.8 percent). Leading U.S. electronics components manufacturers are represented in Germany. The United States account for almost 20 percent of all imports. Intelligent (smart) power and miniaturized chips have best market prospects.

	1997	1998	1999 (e)
Total market size	13,000	14,300	15,700
Total local production	11,400	12,300	13,200
Exports	9,200	9,600	10,100
Total imports	10,800	11,600	12,600
Imports from the U.S.	2,100	2,300	2,400

#### **8: Computer Services - CSV**

The majority of large U.S. computer service providers have facilities in Germany and, for official statistical purposes, are counted as local firms. While hardware maintenance services decreased slightly by 1 percent from 1997 to 1998 and are expected to remain at current levels for 1999, software services grew by 9 percent from 1997 to 1998 and are anticipated to grow at that pace in 1999. Record growth is expected for outsourcing of customized enterprise solutions, installation and management. IT consulting and training are believed to perform well. Major growth factors among IT users are downsizing efforts through distributed computing and client/server solutions; outsourcing of specialist tasks such as web server operations and maintenance; implementation of MIS-Management Information Systems; and business reengineering and customer management support services. The quickly expanding use of the Internet as a virtual marketplace will trigger demand for Internet-related network services. With systems integration and shorter hardware/software update cycles, demand for training and consulting will retain its high levels.

	1997	1998	1999 (e)
Total sales	7,600	8,300	9,000
Sales by local firms	5,700	6,200	6,600
Sales by local firms abroad	912	996	1,080
Sales by foreign-owned firms	1,200	1,300	1,440
Sales by U.S.-owned firms	760	913	990

#### **9: Process Control Instrumentation - PCI**

While the total PCI market in Germany continued to decrease, imports have increased substantially, in particular from the United States. The extraordinary growth rate reflects unusually large orders placed by German industry in the United States. Growth rates should reach about 5-6 percent. Instrumentation for testing, measuring and analyzing; sensors; software and control units for facility automation have best sales prospects.

	1997	1998	1999 (e)
Total market size	5,412	5,112	5,200
Total local production	7,614	7,548	7,700
Exports	5,069	5,580	5,980
Total imports	2,867	3,144	3,480
Imports from the U.S.	738	908	970

#### **10: Scientific & Laboratory Instruments - LAB**

Cutbacks in government spending for LAB and a sluggish export business to South East Asia and South America characterized the German LAB industry in 1998. This negative trend could not be compensated by generally good sales to the chemical, pharmaceutical and life science industries. Overall, the market stagnated. Exports, which account for almost 50 percent of the production output, decreased. For 1999, the industry hopes that the market

will recover at a low level. Depending on the future export business, the market could increase at about 5 percent. U.S. made instruments, which make up for an import market share of about 40 percent, enjoy a high receptivity in Germany. Chromatographic and spectroscopic technologies, laser and opto-electronics and laboratory automation technologies (LIMS) enjoy best sales potential.

	1997	1998	1999(e)
Total market size	3,381	3,411	3,600
Total local production	4,074	4,079	4,200
Exports	2,186	2,170	2,200
Total imports	1,493	1,502	1,600
Imports from the U.S.	560	610	660

#### 11: Medical Equipment and Supplies - MED

The German market for medical equipment stagnated in 1998, at a total market value of \$8.7 billion. Local demand is expected to increase only very slightly over the next twelve months as a result of the Government's health care reform 2000, approved in June 1999, which stipulates rigid cost-containment measures. With medical equipment expenses having increased tremendously over the past years, the public health care funds are now aiming at reducing their expenditures by capping each doctor's budget. Thus, hospitals and general practitioners are subject to cost-cutting pressures and may be less receptive to investing in high-quality advanced medical devices. Still, micro-surgery equipment and supplies, non-invasive and tele-medicine technology and automated equipment which assist in reducing labor costs, continue as good sales prospects. Medical consumables, preventive medical technology and home health care products will also continue to see good sales potential. While total imports into Germany in 1998 remained at 1997 levels, the positive trend for U.S. imports will continue throughout 1999 and into the year 2000. U.S. exporters should note that as of June 1998, all medical devices sold in Europe must conform to the MD Directive and display the CE mark.

	1997	1998	1999(e)
Total market size	8,700	8,700	8,800
Total local production	10,400	10,600	10,800
Exports	5,200	5,400	5,500
Total imports	3,500	3,500	3,500
Imports from the U.S.	700	750	800

#### 12: Automotive Parts and Services - APS

The German market for automotive after-market products, especially for accessories and tuning products, decreased by 50% in 1998/99 compared to 1997 figures. Sales of workshop equipment also declined following a consolidation of German automobile dealerships and the longer servicing intervals for modern vehicles. In the workshop equipment sector, U.S. manufacturers continue to dominate the German import market. U.S. imports and sales of OEM equipment have risen as German manufacturers continue to increase automobile production. The overall picture for the export of U.S.-manufactured parts to Germany remains positive.

	1997	1998	1999(e)
Total market size	35,056	38,499	43,200
Total local production	27,611	30,888	35,200
Exports	4,833	5,277	5,700
Total imports	12,278	12,888	13,700
Imports from the United States	1,500	1,555	1,900

#### 13: Pollution Control Equipment - POL

The Federal Republic of Germany's progressive approach to environmental legislation has fostered an innovative and globally competitive environmental technology industry. Since the beginning of the 1970's, governmental policy has required increasingly stringent standards of environmental responsibility from both private and public sectors. Early legislation concentrated on air pollution control and wastewater treatment, but waste management is becoming the focus of the 1990's. From 1991 to 2000 nearly USD 230 billion are



expected to be invested into environmental protection measures not including investments into product integrated environmental protection. Although a large percentage of this investment will be concentrated on the modernization of technologies in Eastern Germany, development can also be expected in West Germany due to new regulations in waste management and recycling.

	1997	1998	1999 (e)
Total Market	45,700	47,300	49,400
Local Production	46,700	48,500	50,500
Exports	9,300	9,700	10,100
Total Imports	8,300	8,500	9,000
Imports from the U.S.	820	870	920

#### 14: Travel & Tourism - TRA

Germany's outbound travel market had a turnover in 1998 of USD 45,556 million; 28% was business travel and 72% was leisure travel. Germany represents the third largest overseas market to the U.S. (after Japan and Great Britain) and has grown 12% since 1992. Receipts from German visitors to the U.S.A. in 1997 were USD 4,142 million. 1,902,000 Germans visited the U.S. in 1998, a decrease of 4.6% vs. 1997 (1,994,000 visitors). The Office of Tourism Industries, USDOC, predicts an increase from Germany of 2.1% for 1999. Key trends in the travel preferences of Germans: special interest and soft adventure holidays, dual-purpose vacations, a lean towards eco-tourism, personal safety, greater individuality and flexible packages.

	1997	1998 (e)	1999 (e)
Total sales	44,444	45,600	46,100
Sales by local firms	39,899	40,800	41,300
Sales by local firms abroad	n/a	n/a	n/a
Sales by foreign-owned firms	4,545	4,800	4,800
Sales by U.S.-owned firms	3,939	4,100	4,100

#### 15: Telecommunications Equipment - TEL

The telecommunications industry is widely regarded as one of the driving forces behind future economic growth in Germany. Whether in the areas of multi-media, mobile communications, or the Internet, telecommunications is the key to unlocking German potential for future economic development. Germany is not only one of the fastest growing markets for mobile equipment, but is also very well prepared for any future technology in the telecommunications sector. Thousands of miles of high quality fiber optical cable make the country ready for the application of the future. The immense changes in the legal infrastructure and the privatization of voice telephony (January 1, 1998) have added momentum to the positive trend. The United States is Germany's most important import source for telecommunications equipment.

	1997	1998	1999 (e)
Total market	7,900	7,900	8,200
Total local production	9,200	9,200	10,300
Exports	5,800	5,800	6,300
Total imports	3,900	3,900	4,200
Imports from the U.S.	790	790	820

#### Best Prospects for Agricultural Products

(All figures are metric tons, unless otherwise stated.)

- 1: Tree Nuts
- 2: Pet Food
- 3: Wine
- 4: Rice
- 5: Edible Sunflower Seeds

#### 1: Tree Nuts - HTP

The category of tree nuts includes pistacios, almonds, pecans, hazelnuts and walnuts. Germany does not produce significant quantities of these nuts, therefore supply is met virtually entirely by imports. Germany is the

largest export market for U.S. almonds. A number of U.S. associations actively promote their products in Germany, including Blue Diamond Almond Growers, California Pistachio Commission and the California Walnut Commission. In 1998, U.S. total exports of tree nuts to Germany were valued at \$233 million, out of a total import value of \$673 million.

	1997	1998	1999 (e)
	MT	MT	MT
A) Total market	149,000	140,000	145,000
B) Production	*	*	*
C) Total exports	21,000	26,000	25,000
D) Total imports	170,000	166,000	170,000
E) Imports from the U.S.	70,000	62,000	75,000

## 2: Pet Food - G&FD

Germany is one of the leading countries for pet ownership in the world. Even though the majority of pet foods is produced domestically (the market leader is a U.S. firm), interest in specialty, healthy foods for pets is growing rapidly. German pet owners are willing to pay premiums to properly feed their pets. Access to the German market for U.S. exports of pet food should be enhanced as a result of the recently completed US/EU veterinary equivalency negotiations. In 1998, U.S. total exports of pet food to Germany were valued at \$35 million, out of a total import value of \$401 million.

	1997	1998	1999 (e)
	MT	MT	MT
A) Total market	716,000	691,000	740,000
B) Production	535,000	535,000	530,000
C) Total exports	259,000	242,000	240,000
D) Total imports	440,000	398,000	450,000
E) Imports from the U.S.	26,000	20,000	25,000

## 3: Wine - HTP

Germany is the world's largest importer of wine, with imports totaling 11.8 million hectoliters in 1998, valued at \$1.9 billion. The import figure represents nearly two-thirds of total German wine consumption. Italy, France and Spain are the leading suppliers of wine to Germany, with a combined import market share of more than 80 percent. U.S. wines have developed an increasingly good reputation for quality in the German market. In the past five years the value of Germany's imports of U.S. wines has grown to \$34 million in 1998.

	1997	1998	1999 (e)
	hl	hl	hl
A) Total market	17,293	20,210	17,700
B) Production	8,299	10,655	8,600
C) Total exports	2,229	2,227	2,400
D) Total imports	11,223	11,782	11,500
E) Imports from the U.S.	64	102	100

## 4: Rice - GFD

Germany does not produce rice thus supply is met exclusively by imports. German rice millers have a long standing relationship with U.S. exporters of husked brown rice. Beginning 1998, U.S. rice exporters took advantage of a tariff rate quote at zero duty for 38,000 tons of semi-milled and wholly-milled rice. U.S. shipments for this value-added product went up by 10,000 tons replacing shipments of husked rice. U.S. shipments of rice to Germany are valued US\$32 million in 1998. (Please note the units are metric tons.)

	1997	1998	1999 (e)
A) Total market	226,000	215,000	225,000
B) Production	*	*	*
C) Total exports	42,000	40,000	40,000
D) Total imports	226,000	215,000	225,000
E) Imports from the U.S.	58,000	53,000	50,000

## 5: Edible Sunflower Seeds for Confectionery Uses - COTS

Germany is the largest market for U.S. exports of edible sunflower seed, accounting for almost 50 percent of total U.S. exports. While some German farmers continue to grow edible sunflower seed under contract, on the whole local farmers have not been pleased with crop yields. Marketing efforts on the part of the U.S. National Sunflower Association are expected to assist in the expansion of U.S. exports to this market. In 1998, U.S. total exports of confectionary sunflowers to Germany were valued at \$39 million, out of a total import value of \$59 million.

	1997	1998	1999 (e)
	MT	MT	MT
A) Total market	101,000	76,661	121,000
B) Production	5,000	5,000	5,000
C) Total exports	8,000	3,873	4,000
D) Total imports	104,000	75,534	120,000
E) Imports from the U.S.	28,000	37,012	30,000

## VI. TRADE REGULATIONS AND STANDARDS

Germany's regulations and bureaucratic procedures can be a difficult hurdle for companies wishing to enter the market, requiring close attention by U.S. exporters. Complex safety standards, not normally discriminatory but sometimes zealously applied, complicate access to the market for many U.S. products. U.S. suppliers are well advised to do their homework thoroughly and make sure they know precisely which standards apply to their product, and that they obtain timely testing and certification.

The European Union's (EU) attempts to harmonize the various product safety requirements of its member states have complicated the issue. The EU harmonization of safety requirements and related standards is being implemented for industrial products through EU directives. During a transition period national requirements must be met. (After the transition period, the Europe-wide "CE" mark supersedes all other compliance certificates, provided the products in question are covered by an EU-directive.) The EU's efforts to harmonize standards through the "New Approach" certification-facilitating directives (and separately developed European standards) are incomplete as far as sectors covered. In some cases U.S. firms, e.g., in the automotive or medical sectors, will have to worry about complying with the specific requirements of all applicable "Old Approach" product-specific EU standards legislation. The basic point here is that EU harmonization is incomplete, and sometimes certification is more complex because of the type of EU standards legislation (i.e., old or new) applicable.

This is doubly important because, to the extent EU-wide standards are developed, there is a high probability that the existing German standard will form the basis for the eventual European standard. In many cases, Germany will also be the first European country to implement EU-wide standards. The implementation of electromagnetic compatibility standards (EMC), despite a five-year phase-in period, surprised many affected companies - not only foreign but also German - with the result that accredited test laboratories are booked for months and market introduction for some products is delayed considerably.

German buyers may require additional performance or quality marks, which are not necessarily legally required, but greatly enhance a product's chances to be marketed. Both EU requirements and the standards for a German quality or performance mark will, in many cases, require a product to be modified. Even if the product does not require modification, it will require testing and certification before it can be marketed. Important marks are the "gepruefte Sicherheit" (GS) mark for mechanical products, and the "Verband Deutscher

Elektrotechniker" (VDE) mark for electrical components. It should be emphasized that neither the "GS" license nor the "VDE" license are mandatory for products sold in Germany. The only exception is for products for use in certain work place applications, where either of these marks are required to meet insurance eligibility requirements.

The German organization that compiles the standards laying down the requirements for a "GS" mark is the "Deutscher Industrie Normenausschuss - DIN" (German Standards Institute). The organization responsible for testing is the "Technischer Ueberwachungsverein e.V. - TUV," (Technical Inspection Association).

Although the "VDE" license deals with electrical products, instead of mechanical products, the same process of certification can be followed. A company can obtain the "VDE" literature from the VDE publisher, VDE Verlag, GmbH, or from the VDE association directly (for contact information please see below).

The TUV tests for both the "VDE" license and the "GS" license. The process for "VDE" certification is the same as that of the "GS" mark.

#### TUV and Certification Process for the "GS" and the "VDE" Licenses:

TUVs are private companies set up by various German states to inspect and test products for compliance with German safety standards. Individual TUVs have also been authorized by the German Government to test products for compliance with EU legislation, and many have established representative offices in the United States.

Firms interested in certification should contact a U.S. TUV office (Contact information is provided below).

#### Self-Certification

For certain products, self-certification of manufacturers (through a Manufacturer's Declaration of Conformity) is sufficient. Further information is available from the U.S. Mission to the EU:

U.S. Mission to the EU (USEU)  
40 Blvd. Du Regent  
B-1000 Brussels  
Telephone: [32][2] 508 2746  
Telefax: [32][2] 513 1228

#### Effect of EU Harmonization of Standards on the "GS" and "VDE" mark:

The effect of EU harmonization on the "GS" and "VDE" mark is difficult to analyze. It is estimated that about 75 percent of all American products sold in the EU must have the "CE" mark once all directives have been passed and all transition periods have expired. Where EU directives are in place the "CE" mark is mandatory by law for products that are covered by the appropriate directive; the mark allows the product to be marketed in all the EU member states. National certificates such as the "GS" and the "VDE" marks, may not be legally required, but enhance marketing chances. German consumers look for these marks in much the same way as Americans look for the "UL" mark.

Currently, only 12 of the 22 proposed and planned EU directives are in place: low voltage electrical safety, toys, simple pressure vessels, construction projects, electro-magnetic capability, gas appliances, personal protective equipment, machinery, active implantable medical devices, non-automatic weighing machines, type approval of telecommunications terminal equipment, and medical devices. For products where there is as yet no EU directive, national standards, even if they are voluntary, should be adhered to, in order to ensure marketability of a product.

Who has the authority to actually affix the "CE" mark? For many products, the mark may be affixed by the manufacturer, based on his or her own testing to verify that the product meets EU requirements. However, EU legislation may require that an independent third party be involved in product assessment.

Who is qualified to be this third party? The EU establishes so-called "notified bodies," i.e. testing or certification agencies. The majority of the TUVs have already been approved - they will play an important role as notified bodies.

Contact information for EU "CE" standards:

Mr. Robert Straetz  
Office of European Union and Regional Affairs  
Room H-3036  
International Trade Administration  
U.S. Department of Commerce  
Washington, D.C. 20230  
Telephone: (202) 482-4496  
Telefax: (202) 482-2155

U.S. Contacts for Foreign Standards Information:

National Center for Foreign Standards Information  
National Institute of Standards and Technology  
TRF Room A163  
Gaithersburg, MD 20899  
Telephone: (301) 975-4040  
Telefax: (301) 975-2128

Europe\Regional, Political, and Economic Affairs  
Room 6519  
U.S. Department of State  
Washington, D.C. 20520  
Telephone: (202) 647-2395

Office of the U.S. Trade Representative  
600 17th St., NW  
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#### **Value added tax/Turnover tax** (*Mehrwertsteuer/Umsatzsteuer*)

In common usage, value added tax (VAT) and turnover tax are regarded as being identical.

All imports and deliveries of goods to or in Germany are subject to VAT, as are services deemed to have been rendered within the country. The tax liability rests on the German business providing service or products or on the importer or buyer of goods or services from abroad. The tax levied on the business is invoiced to customers, who may deduct it from their own liability. The ultimate burden is therefore on the final consumer, who, not being a business, does not file VAT claims and therefore has no rights of deduction.

The basic VAT rate is 16%. A reduced rate of 8% is levied on certain specified items, such as food, books and other publications. This will not change in 1998. Exports abroad and deliveries of goods to other EU countries are free of VAT. The full amount of the VAT should be listed separately on invoices. For invoices up to DM 200 (\$114) it is sufficient to indicate only the percentage of the tax rate. Invoices amounting to higher sums must list the payable tax separately. In order to fulfill turnover tax liabilities, all revenues must be listed separately on a pre-payment form of the local tax office. It is important, however, to collect all invoices in order to deduct the VAT charged from one's own tax liability.

Custom regulations/tariffs: Information on customs regulations and tariffs is available from German customs offices, and can differ considerably depending on the products. Please contact the Commercial Service (for contact information, please see Chapter XI).

#### **Agricultural Products**

General Veterinary Requirements: In April of 1997, the United States and the European Union (EU) reached an agreement on an overall framework for recognizing as equivalent each other's veterinary inspection systems. Progress made should open new trade opportunities for red meat and preserve most pre-existing trade in products such as pet food, dairy and egg products. The veterinary equivalency agreement covers more than \$1.5 billion in U.S. animal product exports to the EU and an equal value of EU exports to the United States.

All beef and pork exported to Germany for human consumption must come from slaughterhouses, cutting plants and cold stores approved for export to the EU. Since 1989, the EU has prohibited importation of beef from cattle treated with growth hormones. Soon after this ban went into effect, an agreement was reached between the United States and the EU that allows American producers of beef from animals not treated with hormones to export to the EU. Under the terms of this agreement, the cattle must come from an EU-approved source, and the animals must be slaughtered in a slaughterhouse that has been approved by the EU for handling untreated beef.

Beef: The EU beef market is largely insulated from the world market by high import duties on most products. Import opportunities do exist, however, for selected products that are covered by fixed, relatively low tariffs or

special quota. Most notably, the EU grants market access for annual imports of up to 12,250 MT of beef from the United States and Canada under its high-quality beef (HQB) quota. (Imports under this quota are still subject to an ad valorem duty, which will be reduced according to the Uruguay Round Agreement.) Under the Uruguay Round Agreement, the EU duty on beef livers (which was seven percent in 1994) will be eliminated in six equal annual installments by July 1, 2000.

Pork: Selected market opportunities exist for imports of pork. Market access within the EU has been improved through the creation of a tariff-rate quota totaling 75,000 MT by the year 2000, including a 39,000 MT allocation for tenderloins, boneless loins and boneless hams.

Poultry: Unfortunately U.S. and EU negotiators were not able to reach agreement on a number of important points during the veterinary equivalency negotiations, particularly in the poultry sector. The most contentious issue in the negotiations concerned the use in the United States of chlorinated water and other anti-microbial treatments in poultry processing. However, most forms of anti-microbial treatments are prohibited in the EU. The EU's ban on anti-microbial treatments effectively blocks U.S. poultry exports to the EU which were estimated at \$50 million in 1996.

Dairy Products: The veterinary agreement allows for the resumption of U.S. dairy product exports to Germany, which had been banned for more than one year. Under the Uruguay Round Agreement, the variable levy on dairy products has been replaced by a fixed tariff equivalent.

Plant Health: As part of the Single Market exercise, plant health regulations in the fifteen European Union Member States have been harmonized. The new regulations went into effect on June 1, 1993. The EU has been successful in reducing the number of phytosanitary restrictions, and new marketing opportunities have been created for U.S. horticultural exports. Phytosanitary certificates are required for most fresh products.

Horticultural Products: Germany is an important market for United States horticultural products. Principal products include almonds, citrus, raisins, prunes and walnuts. Horticultural products entering Germany face a number of border restrictions. In addition to considerable tariffs which vary by product, imports of selected produce are subject to an entry price system. Under such a system imports which have a price at or above the respective entry price are assessed only the appropriate ad valorem duty. Imports which have a price below, but within a certain range of the entry price are assessed the ad valorem duty plus a specific duty which is the difference between the import price and the entry price. "Within a certain range" generally means within eight percent of the entry price. Imports having a price more than eight percent below the entry price are assessed the ad valorem duty plus a very large specific duty (known as the tariff equivalent) which generally takes the cost of the product (import price plus duties) far above the entry price.

Under the Uruguay Round Agreement duties for horticultural products will be reduced in six equal annual installments by an average of 36 percent by July 1, 2000. Increased export opportunities will be created for single-strength orange juice, fresh foliage, shelled and roasted almonds, walnuts, apples, fresh asparagus, fresh grapes, roasted pistachios and potato chips.

Organic Products: There is a growing market within Germany for certified organic products. Since July 1992, Union-wide regulations on marketing organic products have been in effect. Administrative hurdles still slow down the development of this promising import market. The completion of an American National Organic Program promised for the end of 1999 will significantly reduce bureaucratic requirements for trade in certified organic products with the European Union. Until then importers must work through German authorities to submit technical information on certified organic products on a case-by-case basis.

Consumer-Ready Products: Imports of consumer-ready food products into Germany face many market access restrictions and very strict food laws. In addition to bound import duties, the EU has established a complex system of border protection measures for food products. Since prices for basic agricultural commodities such as dairy products, sugar and cereals are considerably higher than world market prices, the EU maintains a mechanism to protect European consumer-ready food products from imports made with lower-price inputs. Therefore, most processed products entering the EU are subject to additional import charges based on the percentage of sugar, milk fat, milk protein and starch in the product. These additional import charges have made many imported processed food products non-competitive in the EU market. In 1998 the Foreign Agricultural Service completed "Accessing Germany's Retail Food Sector - A Guide for U.S. Food and Beverage Suppliers" which is available from USDA/FAS Trade Assistance Promotion Office by contacting <SmithMark@fas.usda.gov> or <hamptonk@fas.usda.gov>.

Packaging Disposal: With the tremendous growth of waste and increasing disposal problems, Germany has established legislation which contains certain rules for the disposal of packaging materials. In response to this legislation, a cooperative effort for the collection and recycling of packaging materials was initiated. The organization involved is called the "Duales System Deutschland," and it administers the use of the "Green Dot," a recycling symbol which is found on the packaging material of virtually all products sold in Germany. While packaging material for products sold in Germany is not legally required to carry the Green Dot, it is almost impossible to market a product in Germany without it. Typically, the importer pays a license fee to the user of the Green Dot, dependent on the type and amount of packaging, and provides the exporter with the information necessary.

#### U.S. Agricultural Commodity Associations Active in Germany

A number of U.S. agricultural commodity and other trade associations conduct market development programs in Germany. In some cases, these associations maintain staffed field offices in Germany, others may have a trade representative or public relations company representing their interests, and others may cover Germany from other European offices or from offices in the United States. A portion of the funding for the market development programs of these associations is provided by the USDA-operated Market Access Program (MAP) and Foreign Market Development program (FMD).

These associations can be contacted through the U.S. Agricultural Trade Office (ATO) (see first section for phone, address and e-mail).

A listing of the agricultural associations which operate market development programs/activities in Germany, or in Germany as part of a European program, is provided below. Most of these associations receive USDA funding for their activities. Three U.S. agricultural trade associations (American Plywood Association, American Soybean Association and USA Rice Federation) maintain offices in the ATO Hamburg, are located at the American Consulate.

- Alaska Seafood Marketing Institute
- Almond Board of California
- American Forest and Paper Association
- American Hardwood Export Council
- American Jojoba Association
- American Plywood Association
- American Peanut Council
- American Quarter Horse Association
- American Seafood Institute
- American Seed Trade Association
- American Soybean Association
- Asparagus USA
- California Agricultural Export Council
- California Pistachio Commission



- California Prune Board
- California Walnut Commission
- Chocolate Manufacturers Association
- Cotton Council International
- Cranberry Marketing Committee
- Eastern U.S. Agricultural and Food Export Council (EUSAFEC)
- Florida Department of Citrus
- Hop Growers of America
- Intertribal Agricultural Council
- Mohair Council of America
- Michigan Agricultural Cooperative Marketing Association, Inc.
- Mid-America International Agri-Trade Council (MIATCO)
- National Dry Bean Council
- National Honey Board
- National Sunflower Association
- Organic Trade Association
- Southern Forest Products Association
- Southern Pine Marketing Council
- Southern United States Trade Association (SUSTA)
- The Catfish Institute
- The Popcorn Institute
- U.S. Dairy Export Council
- U.S. Livestock Genetics
- U.S. Meat Export Federation
- U.S. Wheat Associates
- USA Dry Pea and Lentil Council
- USA Poultry and Egg Export Council
- USA Rice Federation
- Washington Apple Commission
- Western United States Agricultural Trade Association (WUSATA)
- Western Wood Products Association
- Wine Institute

## **VII. INVESTMENT CLIMATE**

The German government and industry actively encourage foreign investment in Germany. One measure of the openness of the German system is that the Chairman of Germany's most influential business organization, the Bundesverband der Deutschen Industrie (BDI), formerly headed the subsidiary of a major U.S. multinational. Foreign companies generally suffer the same or similar investment problems as do domestic firms, such as high marginal income tax rates, inflexible labor laws, and burdensome regulations. German law treats foreign firms in the same way as it does German firms.

The 1956 U.S.-FRG Treaty of Friendship, Commerce and Navigation affords U.S. investors national treatment. Germany subscribes to the OECD Committee on Investment and Multinational Enterprises' (CIME) National Treatment Instrument. Under German law, foreign-owned companies registered in the FRG as a GmbH (limited liability company) or an AG (joint stock company) are treated no differently from German companies. There are no special nationality requirements on directors or shareholders, nor do investors need to register investment intent with any government entity.

The 1956 Treaty also provides for the free movement of capital between the U.S. and Germany. Germany also subscribes to the OECD Code on Capital Movements and Invisible Transactions (CMIT). While Germany's foreign economic law contains a provision for the imposition of restrictions on private direct investment flows in either direction for reasons of foreign policy, foreign exchange, or national security, no such restrictions have ever been imposed. In such a theoretical case, the federal government would first consult with the Bundesbank and the governments of the federal states. There is no broad authority to screen or block foreign direct investment.

Excluding reinvested profits, net new Foreign Direct Investment (FDI) in Germany more than doubled in 1998 to DM 35.0 billion from 1997's DM 16.7

billion (which also represented a sharp jump from DM 8.4 in 1996). Some of this, however, represents portfolio shifting related to European Monetary Union (EMU). In 1998, the U.S. was the second largest investor in Germany (DM 5.4 billion or 15 percent of total) though far behind U.K. (at DM 13.8 billion or 40 percent). German investment abroad also more than doubled to DM 152.4 billion in 1998, or more than four times as high as foreign investment in Germany. The U.S. is the number one location for German business, which invested roughly DM 78 billion in the U.S. (or 51 percent of the total). France was the second most popular destination for German business (DM 16 billion or 10 percent) followed by the U.K. (DM 9 billion or 6 percent).

### **Conversion and Transfer Policies**

The Deutsche Mark (DM) is a free currency with no restrictions on its transfer or conversion. As a result of EMU, the DM will be phased out in 2002 and replaced by the Euro, which will be similarly free, with no restrictions on its transfer or conversion. There is no difficulty in obtaining foreign exchange. There are also no restrictions on inflows and outflows of funds for remittances of profits or other purposes.

### **Expropriation and Compensation**

German law provides that private property be expropriated for public purposes only, in a non-discriminatory manner, and in accordance with established principles of international law. There is due process and transparency of purpose, and investors and lenders to expropriated entities receive prompt, adequate, and effective compensation.

### **Dispute Settlement**

We are unaware of any investment disputes concerning American or other foreign investors and Germany. Germany is a member of the International Center for the Settlement of Investment Disputes (ICSID), as well as a member of the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. German courts are fully available for foreign investors in the event of investment disputes. The government does not interfere in the court system and accepts binding arbitration. For more information on Germany's law on arbitration, reformed in 1997, see [www.internationaladr.com/tc121htm](http://www.internationaladr.com/tc121htm).

### **Performance Requirements/Incentives**

A comprehensive package of federal and state investment incentives is available to domestic and foreign investors. Germany is in compliance with its WTO TRIMS notification. The government has placed particular emphasis on investment promotion in the New States, but has reduced many of these incentives in recent years. More will expire in the coming years, especially as the federal budget comes under growing pressure. A broad lobby exists, particularly in the New States, to extend many of these programs through 2004, but the proposed 1999 budget reduces these programs. The incentives currently available include:

For the eastern German states and eastern Berlin:

**Tax Incentives:** Investment allowances, special depreciation allowance, Eastern Germany Equity Fund.

**Investment Grants:** Improvement of Regional Economic Structures Program, grants for research and development, consulting fee and training costs.

**Credit Programs:** Loans with below-market interest rates from the Equalization Funds Bank, Kreditanstalt fuer Wiederaufbau funds, Marshall Plan funds, EU programs, and loan guarantee and credit programs.

Programs for all of Germany:

Tax Incentives: Special depreciation allowance, capital reserve allowance.

Investment Grants: Improvement of Regional Economic Structures Program, grants for research and development, consulting fees and training costs.

Credit Programs: Loans with below-market interest rates from the Equalization Funds Bank, Reconstruction Funds Bank, Marshall Plan funds, European Union programs, loan guarantee programs and other programs for small technology firms and environmental demonstration projects.

U.S. and other foreign firms may also participate in government and/or subsidized research and development programs, provided that:

- the company is legally established in Germany;
- the activity is a long-term operation with significant R&D capacities;
- the project engages in sponsored research that is entirely performed in Germany;
- the firm can exploit intellectual property rights independent from a parent company;
- the Federal Ministry of Education, Science, Research and Technology (BMBF) may exploit intellectual property rights from funded research;
- any licensing of technology outside of the EU requires the written approval of BMBF;
- preference is given to locating manufacturing facilities in Germany for any production resulting from the research (this criteria can be modified on a case by case basis.)

American business representatives indicate that these formal requirements and the administration of the programs by German authorities do not constitute barriers for access to this R&D funding.

### **Right to Private Ownership and Establishment**

Foreign and domestic entities have the right to establish and own business enterprises, engage in all forms of remunerative activity, and to acquire and dispose of interests in business enterprises.

The privatization of state-owned utilities is proceeding apace. In 1998, Germany began to deregulate and privatize its telecommunications sector. Scores of foreign and domestic companies have invested in that sector, although the government continues to hold a 66 percent stake in the former monopolist Deutsche Telekom (DT). Since then, DT has lost about 1/3 of the long-distance market to competitors, but competition is still very limited in local networks. Competition also came to the electricity markets in 1998, but foreign entrants have had major difficulties entering this sector, which is still dominated by the ex-regional monopolists. The Lufthansa privatization has made considerable progress, with many shares already in private hands, but the European Union (EU) requirement that the airline remain majority-owned by EU entities limits the extent of foreign investment.

Government regulatory authorities are generally eager to address problems and settle complaints brought forward by some foreign market entrants and bidders.

### **Protection of Property Rights**

The German Government adheres to a policy of national treatment, which considers property owned by foreigners as fully protected under German law. There is no discrimination against foreign investment and foreign acquisition, ownership, control or disposal of property or equity interests. In Germany, the concept of mortgages is subject to a recognized and reliable security. Secured interests in property, both chattel and real, are recognized and enforced.

Intellectual property is well protected in Germany. Germany is a member of the World Intellectual Property Organization (WIPO). Germany is also a party to the major international intellectual property protection agreements: the Bern Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, the Universal Copyright Convention, the Geneva Phonograms Convention, the Patent Cooperation Treaty, the Brussels Satellite Convention, and the Treaty of Rome on Neighboring Rights.

U.S. citizens and firms are generally entitled to national treatment in Germany with only a few exceptions. The federal government's commitment under the intellectual property rights portion (TRIPS) of the Uruguay Round has further reduced concerns about the level of software piracy. Germany's 1993 implementation of the EU software copyright directive, as well as an educational campaign by the software industry, helped to address this problem.

National treatment is also granted to foreign copyright holders, including remuneration for private recordings. Under the TRIPS agreement, the federal government also grants legal protection for practicing U.S. artists against the commercial distribution of unauthorized live recordings in Germany.

### **Transparency of the Regulatory System**

Germany has transparent and effective laws and policies to promote competition, including anti-trust and unfair competition laws. The German government recognizes that certain aspects of German tax, labor, health, environmental and safety regulations are overly burdensome and impede new investment. The coalition is attempting to address some of these problems with a program of spending, taxation, and regulatory reforms. After reversing some of the recent reforms of the previous government in January and April 1999, in June the cabinet introduced a reform plan focusing on pension and tax reform similar to that of the previous government. If it passes the Bundestag, it will take effect in 2000/2001. Though the program is controversial, some marginal progress is expected in easing some distortions.

The German economy is highly regulated with authority dispersed over the federal, state, and local levels. Many new investors consider bureaucracy excessive, which has prompted most state governments to establish investment promotion offices and investment banks to expedite the process. New rules have simplified bureaucratic requirements, but industry sometimes observes that more could be done.

Taxation of American firms within the FRG is governed by the 1989 "Convention for the Avoidance of Double Taxation with Respect to Taxes on Income." It has been in effect since 1989 (and since January 1, 1991 for area that comprised the former German Democratic Republic.) With respect to income taxes, both countries agree to grant credit to their respective federal income taxes for taxes paid on profits by enterprises located in each other's territory. The German system is more complex, but there are more similarities than differences between the German and American business tax systems.

### **Efficient Capital Markets and Portfolio Investment**

Germany has a modern financial market sector but is often considered "overbanked." For example, it has twice as many bank branches per capita as does the United States. The banking system is sound and healthy. However, it is dominated by public sector financial institutions. The total assets of 3,404 financial institutions that reported in January 1999 were DM 10.5 trillion. The 323 reporting commercial banks accounted for DM 2.5 trillion of this amount. The three largest commercial banks (Deutsche Bank, Dresdner Bank and Commerzbank) accounted for roughly 40 percent of total commercial bank assets.

Credit is available at market-determined rates to both domestic and foreign investors and a variety of credit instruments are available. Legal, regulatory, and accounting systems are transparent and consistent with international banking norms, although the German accounting system is sometimes criticized for being more opaque than the U.S. system. Germany has a universal banking system that is effectively regulated by federal authorities. The Federal Office for Securities Oversight has been in operation since 1995. Germany has also implemented a series of laws to improve its securities trading system, including insider trading laws.

There are "cross-shareholding" and "stable shareholder" arrangements and other measures used by private firms to restrict hostile takeovers. They are directed at all such efforts and not used or designed specifically to discourage foreign investment.

By law, all companies in Germany must have a fluent German speaker on the managing board. Unnecessary red tape is a problem in the financial sector, but according to U.S. firms operating in the market, this problem affects both domestic and foreign firms.

### **Political Violence**

Although in past years there were political acts of violence against both foreign and domestic business enterprises, such events are currently extremely rare. Isolated cases of violence directed at certain ethnic minorities and asylum seekers, have not affected U.S. investments or investors.

### **Corruption**

Germany is among the least corruption-plagued countries of the industrialized world, according to Transparency International, the Berlin-based international "corruption watcher." However, the construction sector, the privatization of former East German enterprises, and the awarding of public contracts represent areas of some continued concern. The European-wide organized crime problem also plays a role in the incidence of corruption. Strict anti-corruption laws apply to domestic economic activity. U.S. firms have not identified corruption as an impediment to investment.

The government deserves credit for continuing its efforts to reduce domestic and foreign corruption. For example, the 1998 OECD Anti-Bribery Convention, which became German law in February 1999, criminalized bribery by German citizens and firms abroad. The Convention also increases penalties for bribery of German officials, for corrupt practices between companies, and, under the law against unfair competition, for price-fixing by companies competing for public contracts. Tax reform legislation that became law on March 31, 1999 de-legalized the tax write-off of bribes (in Germany and abroad), which had been a major, longstanding loophole. Most state governments have contact points for whistle blowing and provisions for rotating personnel in areas prone to corruption. The most active and effective agencies are in Hamburg and Frankfurt/Hessen. Government officials are forbidden from accepting gifts linked to their jobs.

Opinions, however, differ on how much effect these steps will have in practice. German industry opposes creation of a central, national-level register of companies that would be barred from bidding for public contracts. While the German government has successfully prosecuted hundreds of domestic corruption cases over the years, there have been no prosecutions involving the bribery of foreign government officials, politicians, etc. since the 1998 changes in German law.

### **Bilateral Investment Treaties**

Germany has ratified treaties with 108 countries: Albania; Argentina;

Azerbaijan, Bangladesh; Belarus; Benin; Bolivia; Bulgaria; Burundi; Cameroon; Cape Verde; Chile; Central African Republic; Cap Verde; Cameroon; Chad; China; Congo; Costa Rica; Croatia; Cuba; Czech Republic; Dominican Republic; Ecuador; Egypt; Estonia; Gabon; Georgia; Ghana; Greece; Guinea; Guyana; Haiti; Honduras; Hong Kong; Hungary; India; Indonesia; Iran; Ivory Coast; Jamaica; Jordan; Kazakhstan; Kirghizstan; Republic of Korea; Kuwait; Laos; Lebanon; Lesotho; Liberia; Lithuania; Macedonia; Madagascar; Malaysia; Mali; Malta; Mauritania; Mauritius; Moldova; Mongolia; Morocco; Namibia; Nepal; Niger; Oman; Pakistan; Panama; Papua New Guinea; Paraguay; Poland; Portugal; Qatar; Romania; Russia; Rwanda; Saudi Arabia; Senegal; Sierra Leone; Singapore; Slovak Republic; Slovenia; Somalia; South Africa; Sri Lanka; St. Lucia; St. Vincent and the Grenadines; Sudan; Swaziland; Syria; Tajikistan; Tanzania; Thailand; Togo; Tunisia; Turkey; Turkmenistan; Uganda; Ukraine; Uruguay; Uzbekistan; Yemen (Arab. Rep.); Yugoslavia; Venezuela; Vietnam; Zaire; and Zambia.

Germany has signed, but not yet ratified, a treaty with the following 20 countries:

Country	Signed	Temporarily Applicable
Algeria	03/11/96	No
Antigua and Barbuda	11/05/98	No
Armenia	12/21/95	Yes
Barbados	12/02/94	No
Brazil	09/21/95	No
Brunei	03/30/98	No
Burkina Faso	10/22/96	Yes
Cambodia	02/15/99	No
El Salvador	12/11/97	No
Gabon (new treaty)	09/15/98	Yes
Israel	06/24/76	Yes
Kirghizstan (new treaty)	02/15/99	No
Mexico	08/25/89	No
Barbados	12/02/94	No
Zimbabwe	09/29/95	No
Armenia	12/21/95	Yes
Algeria	03/11/96	No
Kenya	05/03/96	No
Nicaragua	05/06/96	No
United Arab Emirates	06/21/97	No

Germany has initialed, but not yet signed, treaties with Ethiopia (06/14/95); Sri Lanka, New Treaty (05/15/98); and Bosnia/Herzegovina (03/12/99).

#### **OPIC and Other Investment Programs**

OPIC programs were available for the New States of Germany following reunification for several years during the early 1990s, but were suspended following the extraordinary achievements in the economic and political transition.

#### **Labor**

While employers complain that German wages and fringe benefits are among the highest in the world and above the EU average, the labor force is generally highly skilled, well-educated, and disciplined. Germany's highly acclaimed system of combined on-the-job and academic training for apprentices produces many of the skills employers need, but the system has not kept up with the number of applicants and some say it needs to be made more flexible and responsive to the changing demands of the economy. High unemployment, however, remains the key economic problem in Germany. Legislation designed to protect workers limits the ability of employers to adapt to dynamic market conditions, which requires them to be able to shed redundant workers or

modify their workforce makeup. The "Red/Green" coalition has been unwilling to loosen these laws, and has even rescinded small changes made by the former Christian Democratic/Liberal government that were intended to provide employers with somewhat more flexibility. (The former government had raised the threshold of companies covered by the strictest protection regulations from five employees to ten employees.) This change affects an estimated ten percent of the workforce, or 3-4 million people. The Red/Green coalition also rescinded a reduction of the employers' share to employees' sick leave benefits introduced by the former coalition.

Unionized labor (about 35 percent of the labor force) is organized in a few large umbrella unions largely grouped by sector. Labor has traditionally been able to agree with management with relatively few work stoppages. The law limits management recourse to lockouts while "co-determination" laws give the unions significant voting representation on the supervisory boards of large companies and participation rights in company decisions through a well-established network of "works councils." Severance compensation is generous and management latitude to alter its workforce is limited. In order to decrease unemployment, the government has been slowly moving toward a reduction in weekly working time. Weekly working times are the subject of collective bargaining agreements and differ by industry. There is also a discrepancy between the duration of the workweek in the eastern and western parts of Germany.

#### **Foreign-Trade Zones/Free Ports**

There are no free trade zones or free ports in Germany.

#### **VIII. TRADE AND PROJECT FINANCING**

Germany has a basically non-discriminatory, well developed financial services infrastructure. Germany's universal banking system allows the country's more than 45,000 bank offices not only to take deposits and make loans to customers, but also to trade in securities. The traditional German system of cross-share holding among banks and industry, as well as an undeveloped equity market and a high rate of bank borrowing dictate that German banks exert substantial influence on industry. There is current discussion on whether or not the banks' influence should be diminished, but given the overall conservative nature of the financial system and its successes in the past it is unlikely that profound changes will result. Private banks control roughly 30 percent of the market, while publicly-owned savings banks controlled by state and local governments account for 50 percent of banking turnover, and cooperative banks make up the balance. All three types of banks offer essentially the same, full range of services to their customers.

An array of specialist banks finance homeowner mortgages, provide guarantees to small and medium-sized businesses, finance projects in disadvantaged regions in Germany and guarantee exports to developing countries.

Practices regarding finance, availability of capital and schedules of payment are comparable to those which prevail in the United States. There are no restrictions or barriers on the movement of capital, foreign exchange earnings or dividends. Virtually all major U.S. banks are represented in the German market, principally but not exclusively in the city of Frankfurt am Main, Germany's main financial center. A large number of German banks, including some of the partially state-owned regional banks, similarly maintain subsidiaries, branches and/or representative offices in the United States. Germany's "big three" private banks are Deutsche Bank, Dresdner Bank and Commerzbank.

#### **IX. BUSINESS TRAVEL**

Neither Germany's legal system or its fully developed infrastructure present any obstacles for traveling to the country. Traveling by plane, train or car meets international, but prices exceed U.S. standards. The number of in-country flights has been picking up and the train stations that dot the country provide sufficient access to nearly all cities.

Nevertheless, cars are the most popular means of transport and Germany's famous highway system is extensive. The condition of roads in eastern Germany may still not reach western German standards, but they are no barrier to traveling. Geographic distances are relatively short, when compared to the United States, but as Germany is much more densely populated than its European neighbors, it may take a little longer to travel the same distance in the FRG than it may take in France or Scandinavia. Especially the industrial and commercial centers in the Rhine-Main (Frankfurt) and Rhine-Ruhr areas are densely populated and heavily industrialized, and business travelers are well advised to plan on timely departures to reach their destination in time. Train and air travel are also efficient means of travel, with timely and comprehensive connections between all major and many minor cities throughout both eastern and western Germany.

There is sufficient hotel space in most major cities, unless there happens to be a major trade fair or a similar event in a particular city. Business class amenities and services can be found in all major cities, including those in the eastern states.

Visas are not required for business (and leisure) travelers spending fewer than 90 days in Germany; for longer stays, travelers are encouraged to apply to the German Embassy or German Consulates in advance of travel (see addresses in Appendix E, part VII).

**Guide for Business Representatives are available for sale by the Superintendent of Documents. U.S. Government Printing Office, Washington, D.C. 20402; tel: (202) 512-1800; fax: (202) 512-2250. Business travelers to Germany seeking appointments with U.S. Mission officials should contact the commercial sections of the Embassy or the Consulates General in advance. [For contact information, please see Section XI. U.S. and Country Contacts.]**

#### **Germany-Wide Holidays in FY 2000**

October 3		Day of German Unity
October 31	(4,9,13,14,16)	Reformation Day
November 1	(1,2,10,11,12)	All Saints Day
November 17	(13)	Repentance Day
December 25		Christmas
December 26		Second Christmas Day
January 1		New Years Day
January 6	(1,2,14)	Epiphany
April 21		Good Friday
April 24		Easter Monday
May 1		German Labor Day
June 1		Ascension Day
June 12		Whit Monday
June 22	(1,2,7,10,11,12,13,16)	Corpus Christi Day
August 15	(2,13)	Assumption Day

The above numbers denote that the appropriate holidays are observed in the following federal states:

- 1 = Baden-Wuerttemberg
- 2 = Bavaria
- 3 = Berlin
- 4 = Brandenburg
- 5 = Bremen
- 6 = Hamburg
- 7 = Hesse
- 8 = Lower Saxony
- 9 = Mecklenburg-Pommerania
- 10 = Northrhine-Westphalia
- 11 = Rhineland-Palatinate
- 12 = Saarregion



13 = Saxony  
 14 = Saxony-Anhalt  
 15 = Schleswig-Holstein  
 16 = Thuringia

## **X. ECONOMIC AND TRADE STATISTICS**

### **A.) COUNTRY DATA**

NOTE: Figures apply to unified Germany (eastern and western)

\*= projected

- A. Population: 82 million (1998), including 15.3 million in eastern Germany and 7.3 million foreigners (d).
- B. Religion: 34% Protestant, 33% Catholic.
- C. Government: Constitutional, parliamentary confederation  
 Head of State: Johannes Rau, President  
 Head of Government, Gerhard Schroeder, Chancellor
- D. Language: German

### **B.) DOMESTIC ECONOMY**

	1997	1998	1999 (ytd)	Endnote/ Source
a. GDP (current, DM bill)	3675.8	3799.4	3913.4	(c)
b. GDP (current, \$ bill)	2118.9	2159.7	2174.1	(c)
c. Real GDP Growth Rate (%)	+1.8	+2.3	+1.5	(c)
d. GDP per Capita (\$)	25,824.0	26,318.0	26,513.0	(c)
e. Fed Govt Expenditure(% GDP)	14.3	14.4	13.7	(1) (c)
f. Public Expenditure(% GDP)	47.5	46.9	46.1	(1) (c)
g. Inflation/Cost of Living (%)	1.9	1.0	0.7/May	(c)
h. Forex Reserves (\$ bill)	44.2	57.1	-	(a)
i. Unemployment (%)	11.4	11.1	10.6/Apr	(a)
j. Exchange Rate (\$/DM)	1.7348	1.7592	1.80	(a)
k. Ext'l Public Debt (\$ bill)	406.4	439.1	na	(a)
l. Wages (1991=100)	126.7	128.7	na	(a)
m. Productivity(1991=100)	116.9	120.0	na	(a)

### **C.) TRADE**

	1997	1998	1999 (ytd)	Source
a. Total export (fob/\$ bill)	512.2	539.8	67.0/March	(a)
b. Total import (cif/\$ bill)	445.1	466.7	57.8/March	(a)
c. Exports to U.S.(fas/\$ bill)	24.5	26.7	n/a	(b)
d. Imports from U.S.(fob/\$ bill)	43.1	49.8	n/a	(b)
e. Principal U.S. exports: computers & software, aircraft, motor vehicles, analytical/medical equipment, telecommunications equipment & services.				
f. Principal U.S. imports: motor vehicles/parts, machine tools, machinery, analytical/diagnostic equipment, chemicals.				
g. Foreign supplier share of German imports (%):				

	1997	1998	1999 (ytd)	Source
1. France	10.5	11.0	n/a	(a)
2. Netherlands	8.7	8.0	n/a	(a)
3. Italy	7.9	7.7	n/a	(a)
4. United States	7.6	8.2	n/a	(a)
5. United Kingdom	7.0	6.8	n/a	(a)
6. Belgium/Luxembourg	6.1	5.6	n/a	(a)
7. Japan	4.9	5.0	n/a	(a)
8. Austria	3.8	3.9	n/a	(a)
h. BOP, Current Acct (\$ bill)	-1.4	-3.6	-2.8/Mar	

i. Trade balance with world & leading trading partners (\$ bill):

	1997	1998	1999 (ytd)	Source
--	------	------	------------	--------

** World **		67.1	73.1	9.1/Mar	(a)
1.	Austria	10.1	10.3	0.7/Feb	(a)
2.	United Kingdom	11.9	14.6	1.4/Feb	(a)
3.	France	7.7	8.9	1.3/Feb	(a)
4.	United States	10.1	12.5	0.8/Feb	(a)
5.	Belgium/Lux.	2.4	4.5	0.7/Feb	(a)
6.	Italy	2.3	4.0	0.5/Feb	(a)
7.	Netherlands	-2.6	-0.3	-0.0/Feb	(a)
8.	Japan	-9.8	-12.7	-0.9/Feb	(a)

j. Import policy:

1. Tariffs: EC Common External Tariff.
2. Taxes: Value Added Tax (VAT) of 16% on industrial goods.
3. Licensing: Few restrictions.

- k. Best U.S. export prospects: computers/peripherals, franchising, software, industrial chemicals, aircraft/parts, medical eq., computer/software equipment and services, sporting/recreation eq., auto parts & services, electronic components, airport/ground support eq., audio/visual eq., laboratory scientific instr., films/videos, telecommunications equipment, drugs/pharmaceuticals.

#### D.) INVESTMENT STATISTICS

- a. Foreign ownership restrictions: None
- b. Total U.S. direct investment in Germany: \$40.0 billion 1996 (a)  
Principal sectors: manufacturing (chemicals, machines, foodstuffs); finance, insurance and real estate; wholesale trade; banking; petroleum.
- c. U.S. share of foreign direct investment in Germany: 24 percent in 1996 (a).
- d. Other foreign investors: Netherlands (24%), Switzerland (11%), France (9%), United Kingdom (8%), Japan (6%) in 1996 (a)
- e. Total German direct investment in U.S.: \$51 billion 1996 (a)

NOTE: 1. 1999 = projected.

SOURCES:

- a. German Federal Bank Monthly Reports and supplements
- b. Official statistics of the U.S. Department of Commerce
- c. German Federal Statistical Office

#### Foreign Direct Investment Statistics

There are a number of sources concerning the origin and magnitude of this FDI. The most recent statistics from the American Chamber of Commerce in Germany (Amcham) put U.S. direct investment at the end of 1997 at DM 190 billion, of which 14 billion were in the New States. This represents 1,800 firms, which have created some 800,000 jobs (in the New States 300 firms and 65,000 jobs). By contrast, an estimated 2,500 German firms have directly invested DM 150 billion in the U.S., creating 300,000 American jobs. The Bundesbank figures, however, do not account for investment capital that flows into Germany from U.S. companies located in third countries.

Amcham reports that despite continuing concern about high taxes, inflexible labor markets and the like, leading U.S. firms planned moderate investments in 1999.

#### Investment Statistics:

Table 1. Germany's International Investment Position

Calendar Year (DM billion)	1996	1997	1998
Foreign Direct Investment By German Nationals/Entities Abroad	76.5	69.9	152.4
Direct Foreign Investment In Germany	8.5	16.7	35.0

(Source: Deutsche Bundesbank)

Table 2. Companies in Germany with Direct Foreign Investment

Calendar Year	1995	1996	1997
Total (in thousands of DM)	8.982	9.032	8.905
(of which Manufacturing)	1.813	1.805	n/a
Employees (in thousands)	914	876	850
(of which Manufacturing)	580	546	n/a
Annual Turnover (in DM billion)	581	585	599
(of which Manufacturing)	308	306	n/a

(Source: Deutsche Bundesbank)

Table 3. Foreign Direct Investment by Industrial Sector (1998 - DM million)

1. Holding Companies	17,584
2. Credit and Banking	13,576
3. Paper Industry	851
4. Optical Industry	625
5. Car Dealers/Repair Shops/Gas Stations	533
6. Electrical Power	494
7. Other Motor Vehicle	486
8. Glass, Ceramics, Stone processing	439
9. Machinetool building	319

(Source: Economics Ministry)

Table 4. Top 25 U.S. investors (in rank order):

Opel AG  
Ford-Werke AG  
Esso AG  
Phillip Morris GmbH  
IBM Deutschland GmbH  
General Electric Deutschland  
Hewlett-Packard GmbH  
German Coca-Cola  
Procter and Gamble  
ITT Industries Europe GmbH  
Conoco Mineraloel GmbH  
Mobil Oil AG  
Dow Deutschland, Inc.  
Kraft Jacobs Suchard Erzeugnisse GmbH  
Motorola Deutschland  
Deere and Company  
Du Pont de Nemours  
Braun AG  
Wertkaug Verwaltungsgesellschaft mbH  
Woolworth Co. GmbH  
Delphi Automotive Systems GmbH  
Effern GmbH

Compaq Computer EMEA GmbH  
Kodak AG  
(Source: American Chamber of Commerce in Germany)

## **XI. U.S. AND COUNTRY CONTACTS**

### **E. U.S. AND COUNTRY GOVERNMENT AGENCIES**

#### I. Country Contacts

##### Federal Ministry of Economics

Bundesministerium fuer Wirtschaft  
Mr. Wolfgang Hantke, America Desk Officer  
Villemombler Strasse 76  
D-53123 Bonn, Germany  
Telephone: [49][228] 615 2158  
Telefax: [49][228] 615 2652

Bundesministerium fuer Wirtschaft  
Dr. Bernard Veltrup, Head of Division - New States  
Villemombler Strasse 76  
D-53123 Bonn, Germany  
Telephone: [49][228] 615 4414  
Telefax: [49][228] 615 4431

The Federal Ministry of Economic will move to Berlin in December 1999. The address there will be:

Scharnhorststrasse 36  
10115 Berlin  
Telephone and Fax numbers are not available yet.

Foreign Investor Information Center  
Ms. Uta Leupold, North American Project Manager  
Scharnhorststr. 36  
10115 Berlin, Germany  
Telephone: [49] [30] 2014-7750  
Telefax: [49] [30] 2014-7036

##### Federal Bureau for Foreign Trade Information

Bundesstelle fuer Aussenhandelsinformation  
Mr. Wolfgang Potthast, North American Desk Officer  
Agrippastrasse 87-93  
50676 Koeln, Germany  
Telephone: [49][221] 20 57-249  
Telefax: [49][221] 20 57-212

##### Federal Ministry of Finance

Bundesministerium fuer Finanzen  
Wilhelmstrasse 97  
D-10117 Berlin, Germany  
Telephone: [49][30] 2242-0  
Telefax: [49][30] 2242-3260

#### II. COUNTRY TRADE ASSOCIATIONS/CHAMBERS OF COMMERCE

##### Bundesverband der Deutschen Industrie e.V. (BDI)

(Federation of German Industries)  
Gustav-Heinemann-Ufer 84-88  
50968 Koeln, Germany  
Telephone: [49][221] 3708-00  
Telefax: [49][221] 3708-730

##### Deutscher Industrie und Handelstag (DIHT)

(Federation of German Chambers of Industry and Commerce)  
Adenauerallee 148  
53113 Bonn, Germany  
Telephone: [49][228] 104-0  
Telefax: [49][228] 104-158

Bundesverband des Deutschen Gross- und Aussenhandels e.V. (BGA)  
(Federation of German Wholesale and Foreign Trade)  
Bonner Talweg 57  
53113 Bonn, Germany  
Telephone: [49][228] 26004-0  
Telefax: [49][228] 26004-55

Zentralverband Elektrotechnik- und Elektronikindustrie e.V. (ZVEI)  
(German Electrical and Electronic Manufacturers Association)  
Stresemannallee 19  
60596 Frankfurt/Main, Germany  
Telephone: [49][69] 6302-0  
Telefax: [49][69] 6302-317

Verband Deutscher Maschinen- und Anlagenbau e.V. (VDMA)  
(German Association of Machinery and Plant Manufacturers)  
Lyoner Strasse 18  
60528 Frankfurt/Main, Germany  
Telephone: [49][69] 6603-0  
Telefax: [49][69] 6603-1511

Centralvereinigung Deutscher Handelsvertreter- und Handelsmakler-Verbaende (CDH)  
(General Association of Commercial Agents and Brokers)  
Geleniusstrasse 1  
50931 Koeln, Germany  
Telephone: [49][221] 5140-43 or -44  
Telefax: [49][221] 525767

### III. COUNTRY MARKET RESEARCH FIRMS

### III. COUNTRY MARKET RESEARCH FIRMS

It would exceed the scope of this guide to list even only the major market research or consultant companies. Most of these firms belong to one or both of the following associations and can be contacted through these.

Arbeitskreis Deutscher Markt- und Sozialforschungsinstitute e.V. (ADM)  
(Federation of German Market and Social Research Institutes)  
Dr. Klaus L. Wuebbenhorst, Member of the Board  
Langer Weg 18  
60489 Frankfurt/Main, Germany  
Telephone: [49][69] 97843136  
Telefax: [49][69] 97843137

Bundesverband Deutscher Unternehmensberater e.V. (BDU)  
(Federal Association of German Consultants)  
Mr. Christoph Weyrather, CEO  
Friedrich-Wilhelm-Strasse 2  
53113 Bonn, Germany  
Telephone: [49][228] 9161-0  
Telefax: [49][228] 9161-26  
Email: [bdu-online@t-online.de](mailto:bdu-online@t-online.de)  
Homepage: <http://www.bdu.de>

### IV. COUNTRY COMMERCIAL BANKS

There are numerous domestic and foreign banks represented in Germany; among the largest German and American institutions are:

Deutsche Bank AG  
Taunusanlage 12  
60325 Frankfurt am Main, Germany  
Telephone: [49] [69] 91 000  
Telefax: [49] [69] 910-36600  
Homepage: [www.deutsche.bank.de](http://www.deutsche.bank.de)

Dresdner Bank AG  
Juergen-Ponto-Platz 1  
60301 Frankfurt am Main, Germany  
Telephone: [49] [69] 263-0  
Telefax: [49] [69] 263-4004  
Homepage: [www.dresdner-bank.com](http://www.dresdner-bank.com)

Westdeutsche Landesbank  
Herzogstrasse 15  
40217 Dusseldorf, Germany  
Telephone: [49] [211] 826-01  
Telefax: [49] [211] 826-6119

Commerzbank AG  
Neue Mainzer Strasse 32-36  
60311 Frankfurt am Main, Germany  
Telephone: [49] [69] 1362-0  
Telefax: [49] [69] 285389

Citicorp  
Neue Mainzer Strasse 75  
60311 Frankfurt am Main, Germany  
Telephone: [49] [69] 1366-0  
Telefax: [49] [69] 1366-1113

Salomon Brothers AG  
Kaiserstrasse 29  
60311 Frankfurt am Main, Germany  
Telephone: [49] [69] 2607-0  
Telefax: [49] [69] 232570

JP Morgan GmbH  
Boersenstr. 2-4  
60313 Frankfurt am Main, Germany  
Telephone: [49] [69] 7124-0  
Telefax: [49] [69] 7124-1306

Goldman-Sachs & CO OHG  
Messeturm  
Friedrich-Ebert-Anlage 49  
60308 Frankfurt am Main, Germany  
Telephone: [49] [69] 7532-0  
Telefax: [49] [69] 7532-1809  
Homepage: [www.gs.com](http://www.gs.com)

Chase Manhattan Bank  
Grueneburgweg 2  
60322 Frankfurt am Main, Germany  
Telephone: [49] [69] 24789-0  
Telefax: [49] [69] 24789-9285  
Homepage: [www.chase.com](http://www.chase.com)

Merrill Lynch Bank AG  
Neue Mainzer Strasse 75  
60311 Frankfurt am Main, Germany  
Telephone: [49] [69] 2994-0  
Telefax: [49] [69] 2994-284

VI. U.S. EMBASSY TRADE PERSONNEL

A. UNITED STATES EMBASSY, BERLIN, GERMANY

Mailing Address: U.S. Embassy Office Berlin  
PSC 120, Box 1019  
APO AE 09265

Street Address: U.S. Embassy Office Berlin  
Mitte Building  
Neustaedtische Kirchstrasse 4-5  
10117 Berlin

Telephone: [49] [30] 8305-2730  
Telefax: [49] [30] 2045-4466

Ambassador  
Mr. John C. Kornblum

Deputy Chief of Mission  
Mr. Michael C. Polt

Minister Counselor for Administration  
Mr. Lynwood L. Dent

Minister Counselor for Commercial Affairs  
Ms. Kay R. Kuhlman  
Telephone: [49] [030] 8305-2730  
Telefax: [49] [030] 2045-4466

Minister Counselor for Economic Affairs  
Mr. Joseph Saloom  
Telephone: [49] [030] 8305-2305  
Telefax: [49] [030] 2045-4457

Minister Counselor for Agricultural Affairs  
Mr. Peter Kurz  
Telephone: tbd  
Telefax: tbd

Financial Office  
Telephone: [49] [069] 7535-2459  
Telefax: [49] [069] 7535-2238

B. U.S. Consulates

Dusseldorf

U.S. & Foreign Commercial Service  
Mr. Daniel Harris, Consul General  
Mr. Edward Fantasia, Commercial Representative  
Kennedydamm 15-17  
40476 Duesseldorf, Germany  
Telephone: [49] [211] 4706128  
Telefax: [49] [211] 431431

Frankfurt/Main

U.S. & Foreign Commercial Service  
Mr. Peter Alois, Commercial Officer  
Siesmayerstrasse 21  
60323 Frankfurt/Main, Germany  
Telephone: [49] [69] 956204-13

Telefax: [49][69] 561114

Hamburg

U.S. & Foreign Commercial Service  
Mr. James Finlay, Commercial Representative  
Alsterufer 27/28  
20354 Hamburg, Germany  
Telephone: [49][40] 4117 1304  
Telefax: [49][40] 4106 598

Leipzig

U.S. & Foreign Commercial Service  
Dr. Birgit Lehne, Commercial Assistant  
Wilhelm-Seyffferth-Strasse 4  
04107 Leipzig, Germany  
Telephone: [49][341] 2138 440  
Telefax: [49][341] 2138 841

Munich

U.S. & Foreign Commercial Service  
Mr. John McCaslin, Commercial Officer  
Koeniginstrasse 5  
80539 Muenchen, Germany  
Telephone: [49][89] 288 8748  
Telefax: [49][89] 285 261

C. OTHER COUNTRY CONTACTS

U.S. Agricultural Trade Office  
Alsterufer 27/28  
20354 Hamburg, Germany  
Telephone: [49][40] 4146070  
Telefax: [49][40] 41460720

VI. WASHINGTON-BASED USG COUNTRY CONTACTS

U.S. Department of Commerce  
International Trade Administration  
Germany Desk Officers  
Room 3036  
Washington, DC 20230  
Telephone: (202) 482-2435 or (202) 482-2434  
Telefax: (202) 482-2897

U.S. Department of State  
Ms. Eileen Kropf  
Germany Desk Officer  
EUR/CE/Room 4228  
Washington, DC 20520  
Telephone: (202) 647-2584  
Telefax: (202) 647-5117

U.S. Department of the Treasury  
Mr. John McDowell  
Germany Desk Officer  
Room 3108  
15th and Pennsylvania Avenues, N.W.  
Washington D.C. 20220  
Telephone: (202) 622-0700  
Telefax: (202) 622-0134



Office of the U.S. Trade Representative  
Office of Europe and the Mediterranean  
Executive Office of the President  
Washington, DC 20508  
Telephone: (202) 395-3320  
Telefax: (202) 395-3974

## VII. U.S.-BASED MULTIPLIERS

Embassy of the Federal Republic of Germany  
4645 Reservoir Road, N.W.  
Washington, D.C. 20007-1198  
Telephone: (202) 298-4000 (switchboard)  
Telefax: (202) 298-4249

CMA - German Agricultural Marketing Board  
North American Office  
950 Third Avenue  
9th Floor  
New York, NY 10022  
Telephone: (212) 753-5900  
Telefax: (212) 826-3278

German American Chamber of Commerce Inc. (Headquarters)  
40 West 57th Street, 31st Floor  
New York, NY 10019-4092  
Telephone: (212) 974-8830  
Telefax: (212) 974-8867

German Representative for Industry and Trade  
Mr. Jakob Esser  
1627 I Street, NW  
Suite 550  
Washington DC 20006  
Telephone: (202) 659-4777  
Telefax: (202) 659-4779

## **XII. MARKET RESEARCH AND TRADE EVENTS**

### **F. MARKET RESEARCH**

CS Germany plans to report on the following non-agricultural industry sub-sectors:

<b>SECTOR</b>	<b>ISA TITLE</b>
FRA	Educational Products and Services
POL	Hazardous Waste Management and Disposal Equipment
MTL	Precision Machine Tools
CSF	Internet Software
SPT	Sporting Goods and Recreational Equipment
ELC	Power Semiconductors
TES	Value-added Telecommunication Services
AUT	Sport Utility Vehicles
TRV	Travel and Tourism
TXF	Textiles
BTC	Green Biotechnology
FOT	Footwear
PCI	Process Control Instrumentation
MED	Home Health Care Products and Services
CPT	Personal Computers
MUS	Musical Instruments
ELP	The German Energy Market

IMI reporting on all industry sectors will continue during the year.

Annual **agricultural** economic and administrative reporting:

<u>Date</u>	<u>Report</u>
October 1	Seafood Annual
October 20	Dairy Annual
December 10	Wine Marketing Annual
December 15	Citrus Annual
December 15	Forest Products Annual
January 1	Fresh Deciduous Fruit Semi-Annual
February 1	Livestock Semi-Annual
March 1	Grain & Feed Annual
June 1	Oilseeds and Products Annual
June 1	Tobacco Annual
June 1	Cotton Annual
June 15	Asparagus Annual
August 1	Livestock Annual
August 15	Poultry Annual
August 25	Honey Annual
September 10	Fresh Deciduous Fruit Annual
September 30	Annual Agricultural Situation Report

As Needed	Grain Voluntary Updates
As Needed	Oilseeds Voluntary Updates

Monthly	ATO Agricultural Export Opportunities
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#### Marketing Briefs

— German Food & Veterinary Agencies	Apr 99
— German Customs Offices, Tariff Classification	Apr 99
— Wine Market	Mar 99
— Beef Market	Sep 98
— Snapshot of the Walnut Market	Sep 98
— Fruit Juice Market	Sep 98
— Snapshot of the Retail Food Market	Aug 98
— Snapshot of the Almond Market	Aug 98
— Beer Market	Apr 98
— Food, Beverage and Agricultural Trade Fairs	Apr 98
— Floriculture Products	Apr 98
— Food and Beverage Trade Publications	Apr 98
— Organic Market	Apr 98
— Food Law, Labeling, Packaging & Certification	Dec 97
— Trade Publications	Dec 97

#### Voluntary Reports

— Canned Sweet Corn Report	Oct 98
— Market Information Report for Germany	Aug 98
— Prior, monthly copies of this report (Agricultural Export Opportunities Report) may be obtained from the FAS homepage (see last section)	
— Food and Agricultural Import Regulations	Jul 98
— Almond Market	May 98
— Pet Supplies Market	Feb 98
— Retail Food Market	Apr 98

#### American Food Directory

The U.S. Agricultural Trade Office in Hamburg (ATO) produced a food directory entitled "American Foods in Europe 1998/99, Guide to European Importers of U.S. Food and Beverage Products." The directory contains listings of about 300 European companies, from 15 European countries, handling about 600 branded and a wide assortment of generic U.S. food and beverage products available in Europe. The directory is a useful resource for retailers, hotels, caterers, restaurants and others seeking a European source for a

specific U.S. food or beverage product. In addition to a hardcopy, an Internet version of the 1998/99 Directory is available at <[www.american-foods.org](http://www.american-foods.org)>

For Further Information: FAS Homepage and the FAS AgExport Services Division  
The FAS homepage may be visited on line at: <http://www.fas.usda.gov>. The AgExport Services Division of the Foreign Agricultural Service in Washington, DC serves as a first-stop for basic export information and assistance on exporting U.S. agricultural products: Tel: (202) 690-1182 Fax: (202) 690-4374

#### **G. TRADE EVENT SCHEDULE**

	<b>EVENT</b>	<b>CITY</b>	<b>POST</b>	<b>SUPPORT</b>
<b><u>1999</u></b>				
10/03-10/05	Golf Europe '99	Munich	Munich	PLC
10/05-10/07	Biotechnica	Hannover	Hamburg	PLC
10/07-10/09	IKK '99	Essen	Munich	CTF/BIO
10/13-10/18	Frankfurt Book Fair	Frankfurt	Hamburg	BIO
10/18-10/23	Sytems '99	Munich	Munich	BIO
10/18/10/23	Interkama	Dusseldorf	Dusseldorf	PLC
10/26-10/28	European Banking Trade Fair	Frankfurt	Frankfurt	PLC
11/09-11/12	Productronica '99	Munich	Munich	PLC
11/17-11/20	Medica	Dusseldorf	Dusseldorf	CEO
<b><u>2000</u></b>				
01/12-01/15	Heimtextil	Frankfurt	Frankfurt	BIO/TFW
01/17-01/23	Int'l Furniture Fair	Cologne	Dusseldorf	BIO
01/20-02/02	Premiere 2000	Frankfurt	Dusseldorf	BIO
02/04-02/06	Men's Apparel Show	Cologne	Dusseldorf	BIO/TFW
02/18-02/22	Ambiente 2000	Frankfurt	Frankfurt	BIO
03/01-03/31	CEBIT 2000	Hannover	B/Ffm/Mun	PLC/BIO/CTF/CEO
03/11-03/15	Int'l Tourism Exchange	Berlin	Frankfurt	CTF
03/12-03/15	Int'l Houseware Show	Cologne	Dusseldorf	BIO
03/15-03/19	Musikmesse/ProLight & Sound	Frankfurt	Frankfurt	PLC
03/20-03/25	Hannover Fair	Hannover	Berlin	CEO/PLC/CTF
05/01-05/31	Interzoo	Nuremberg	Munich	PLC
05/29-06/04	ILA 2000 Int'l Aerospace	Berlin	Berlin	PLC
06/26-06/29	Entsorga (Recycling & Waste)	Cologne	Hamburg	PLC
08/18-08/20	Kind & Jugend	Cologne	Dusseldorf	PLC
08/25-08/29	Tendence 2000	Frankfurt	Dusseldorf	PLC
09/01-09/30	GAFA-Lawn & Garden Equipment	Cologne	Dusseldorf	BIO
09/06-09/10	Automechanika	Frankfurt	Frankfurt	CTF
09/23-09/30	IAA Truck Show	Frankfurt	Frankfurt	PLC

**KEY:** BIO—Business Information Office; CEO—Corporate Executive; CTF—Certified Trade Fair; PLC—Product Literature Center; TFW—Trade Fair (Washington Organized)

For further information, please consult the National Trade Data Bank or contact the Commercial Section (for contact information, please see chapter XI).

#### **Agricultural Trade Shows in Germany**

The following are some of the major trade shows being held in Germany that are dedicated to agricultural sectors and products (an \* indicates that there is a USA Pavilion organized at the event).

	<b><u>EVENT</u></b>	<b><u>CITY</u></b>
<b><u>1999</u></b>		
10/9-14	ANUGA (Food and Beverages) *	Cologne
<b><u>2000</u></b>		
01/13-15	Fruit Logistica (Produce, Dried Fruit & Nuts)*	Berlin

01/30-02/03	ISM (Snacks and Confectionery)*	Cologne
02/04-06	IPM (Plants)*	Essen
02/17-20	Bio Fach (Organic Products)*	Nuremberg
03/17-22	Internorga (Food Service, Baking, Confection)	Hamburg
03/19-21	ProWein (Wine & Alcoholic Beverages)*	Dusseldorf
03/24-27	Fisch Int'l & Seafood Europe (Fish & Seafood)	Bremen
04/04-07	Interzoo (Petfood)*	Nuremberg
09/21-24	InterCool (Frozen Food)	Dusseldorf
09/29-10/05	IBA (Baked Products and Confections)	Munich

Further information on these shows is available from the ATO-Hamburg or on the ATO-Hamburg homepage <[www.usembassy.de/atohamburg](http://www.usembassy.de/atohamburg)>

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